

BORZEN



ANNUAL
REPORT



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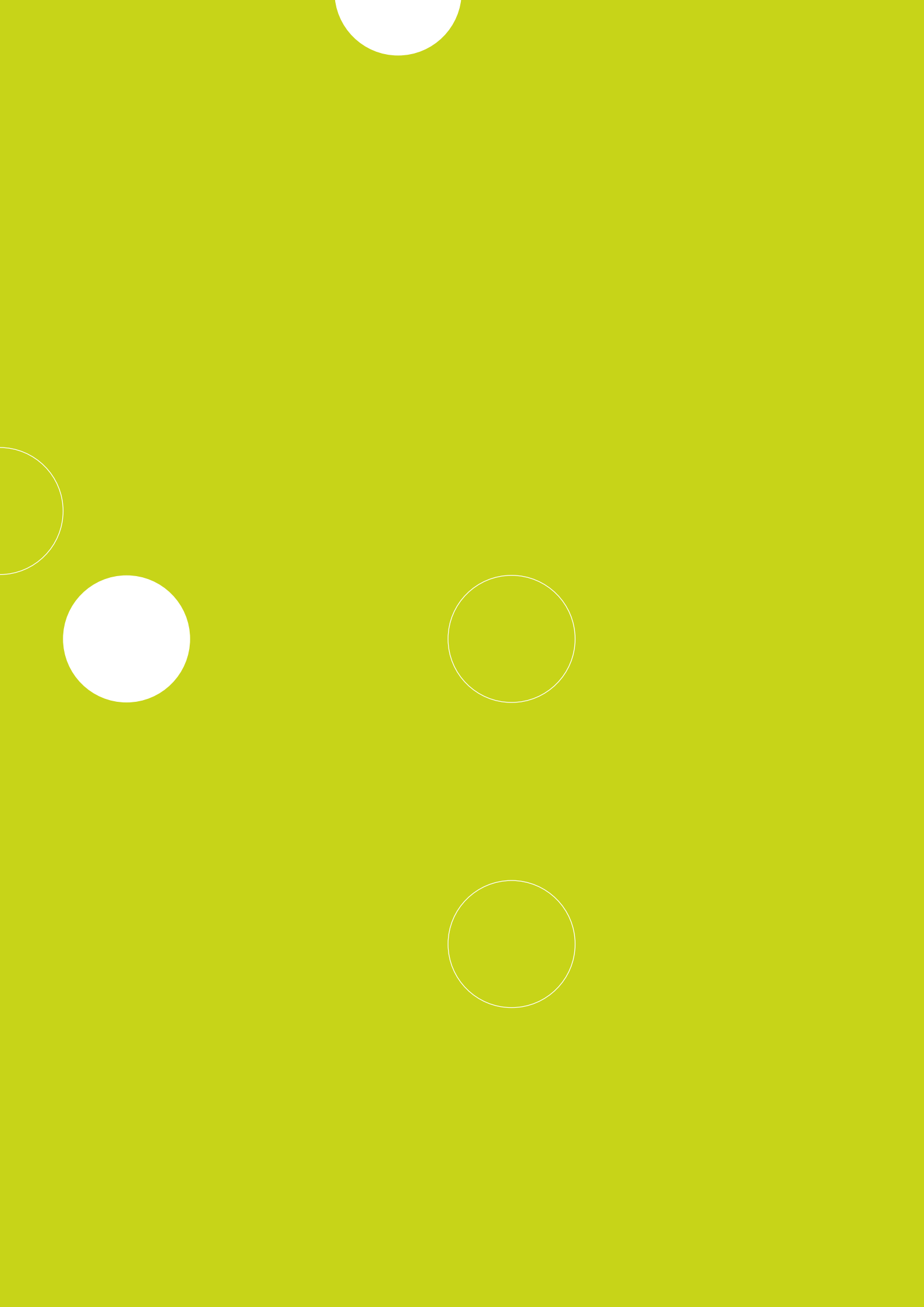
Borzen

ANNUAL REPORT

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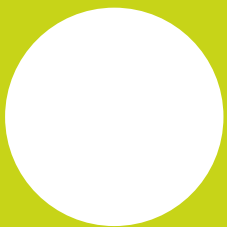
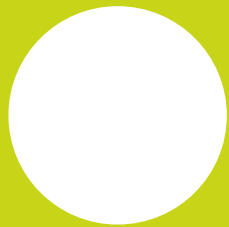
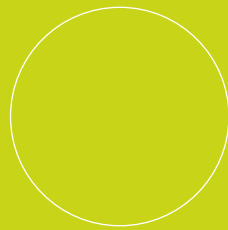
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“ I believe that together, hand-in-hand and step-by-step, we can contribute to a better and more sustainable society. I am happy that with our company we make every effort necessary to bring this about. I am proud of my co-workers, their energy and commitment. Something good comes to fruition. ”

Karol Peter Peršolja, M.Sc.,
General Manager of Borzen





GENERAL

MANAGER'S ADDRESS

Every year, our operations are ever more intertwined with social responsibility, with the objective of developing the energy market towards greater satisfaction and well-being of all its stakeholders. The operations of Borzen in the past year reflects the strength of integration - with the wish to listen to our stakeholders because hand-in-hand we have taken further steps with the key players in the development of the Slovenian electricity market and its integration into the European single market. We are proud that in February 2015 full integration into the European single energy market was established. This is what we strived for over the course of 2014. We deepened our cooperation with European and domestic energy players through some of the working groups and associations as well as various business discussions and agreements.

Borzen finished 2014 with a profit of EUR 836 thousand and the Company has generated EUR 3.5 million of total revenues, which is according to the plan. As at 31 December 2014, the Company's equity capital equalled EUR 5.3 million, which is 1.8 percent higher than in the previous year.

The number of members on the Slovenian electricity market is growing steadily and in 2014 it reached 77. This is followed by the quantities (82,480,280 MWh) and the number (112,012) of recorded closed contracts and operational forecasts. Given that there were already 40 members on the balancing market and that the activities on this market intensified (74 percent more transactions were concluded in 2014 than the previous year), I can conclude that the Slovenian electricity market is now more vibrant and also more liberalised.

The new Energy Act EZ-1 has also brought some changes with regard to some of the activities of the compulsory public service obligation relating to the electricity Market Operator to which Borzen adjusted and at the same time we adopted new

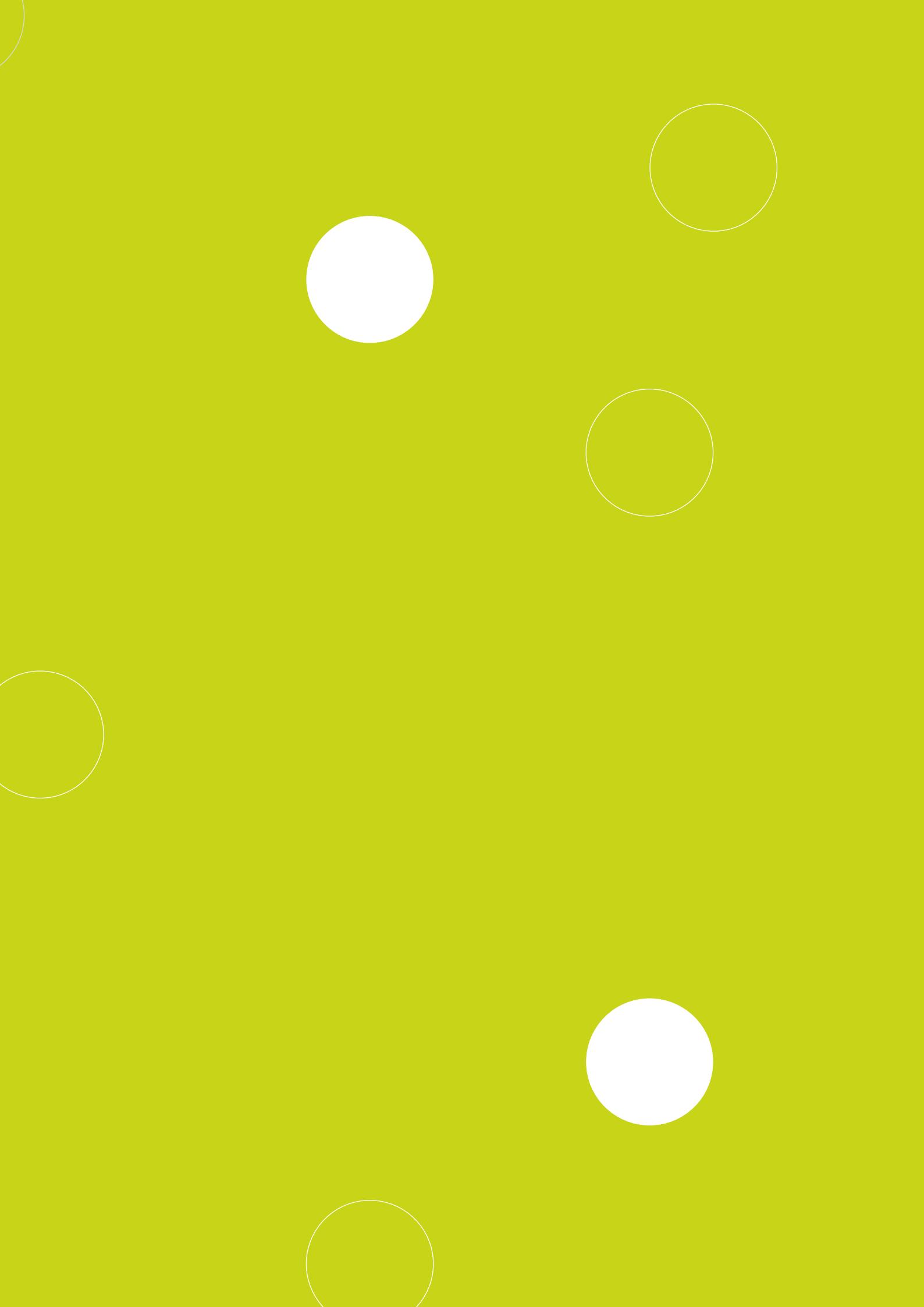
Rules concerning the operation of the electricity balancing market and prepared draft Rules for the operation of the electricity market. In addition, the legislator at the same time entrusted us with some new tasks of which allow me to mention the strengthened role of Borzen in information provision and raising awareness of renewable energy sources and energy efficiency. In this segment, our new brand, Sustainable Energy, was presented to the public at the end of last year and we accompanied it with a web portal of the same name, which connects players and information in the field of sustainable energy.

Despite a slightly more turbulent situation in terms of financing the beneficiaries the Centre for Support which carries out the national Support Scheme for the production of electricity from renewable energy sources and cogeneration of heat and electricity managed to provide support in full. At the end of 2014, the Support Scheme included 3,767 power plants with a total installed capacity of 516 MW accounting for 15 percent of installed capacity in the Republic of Slovenia while we are still waiting for the implementing regulations which will conclusively regulate the reformed system of the Support Scheme. In this period power plants generated 907,157 MWh and EUR 130.9 million of support was paid. This production enjoys one of the two forms of support accounts for approximately 7 percent of Slovene annual consumption.

Hand-in-hand we walked together and successfully completed 2014. And hand-in-hand we welcome the new challenges in the years to come.

Sincerely yours,

Karol Peter Peršolja, M.Sc.,
General Manager of Borzen



REPORT ON

THE SUPERVISORY

BOARD OPERATION



The economic and political circumstances in 2014 brought some changes in the operations of Borzen, mainly in terms of legislation. The company carried out a variety of projects and activities to support the development of the Slovenian energy market, thereby fulfilling its mission as the electricity market operator.

SUPERVISORY BOARD COMPOSITION

Until 16 April 2014 the Supervisory Board was composed of: Chairman Vekoslav Korošec M.Sc., Deputy Chairman Janko Kramžar and a member, Tomaž Fatur, M.Sc. After the expiry of the term of office, from 17 April onwards, the Supervisory Board is composed of: Chairman Gorazd Ažman, Deputy Chairman Dejan Paravan, PhD., and a member Janez Černe.

COOPERATION WITH THE COMPANY'S MANAGEMENT

Constructive cooperation between the Management and the Supervisory Board throughout the year enabled the supervisors to monitor the operations and the attainment of the Company's set objectives which are assessed to have been achieved in 2014. According to the estimation of the Supervisory Board, the cooperation with the Management was successful.

SUPERVISORY BOARD FUNCTIONING

The whole Supervisory Board of Borzen has accepted its role as a supervisory body with considerable responsibility. The role of Borzen as the market operator on the Slovenian electricity market is responsible; therefore the management of Borzen and all the employees are expected to act in a responsible and transparent manner.

In 2014, the Supervisory Board regularly monitored and supervised the work of the Company's Management.

The Supervisory Board's old members had two regular sessions whereas the new members had six regular sessions and one correspondence session. All the members fully cooperated and participated at all the meetings. They were also attended by the management who the chairman of the Supervisory Board cooperated with also in the period between regular sessions. With regard to the size of the Company and the composition and structure of the Supervisory Board, the latter assessed that no committee was necessary to be appointed for its functioning.

The Supervisory Board addressed the issues in accordance with the applicable legislation, the Act of the establishment of Borzen and the Rules of procedure of the Supervisory Board. It got acquainted with the quarterly reports of the Management and closely monitored the problem of financing the Centre for RES/CHP support. All the time, it also paid very close attention to the operations of BSP Regional Energy Exchange where Borzen has a 50-percent stake. The Supervisory Board adopted a business plan of the Company for the period from 2015 to 2017. It also monitored the compliance with the provisions of the Corporate Governance Code and the recommendations of the Slovenian Sovereign Holding.

Gorazd Ažman,
Chairman of Borzen's Supervisory Board

RELEVANT DATA ON THE COMPANY'S OPERATIONS

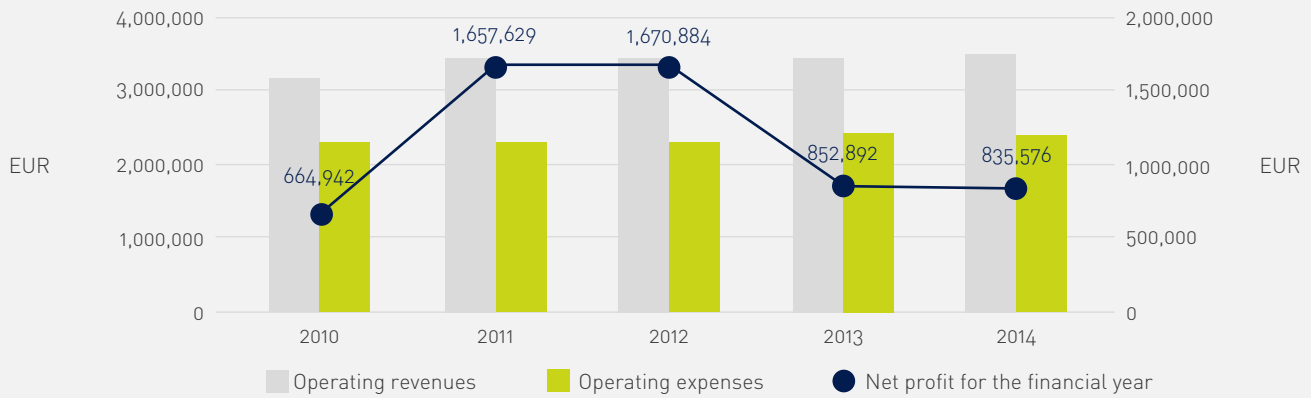
Borzen concluded the 2014 financial year with net profit amounting to EUR 836,000. In this period, Borzen generated EUR 3.5 million of total revenues, which were slightly above the planned value and the results of the previous year. Total expenses amounted to EUR 2.5 million, which was slightly above the planned values and the results of the previous year.

As of 31 December 2014, the balance sheet total equalled EUR 35.4 million and compared to the previous year it increased

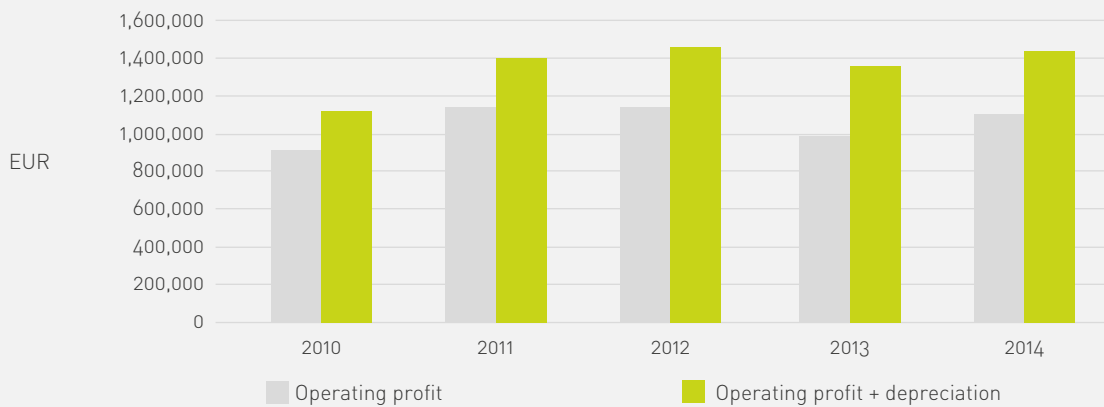
due to the increase in receivables and assets of the Centre for RES/CHP support – the increased receivables arise from the introduction of the new contribution for final consumers of district heat and buyers of fossil fuels and from the lack of financial resources of the Support Scheme.

As at 31 December 2014, the Company's equity capital equalled EUR 5.3 million, which is 1,8 percent higher than in the previous year.

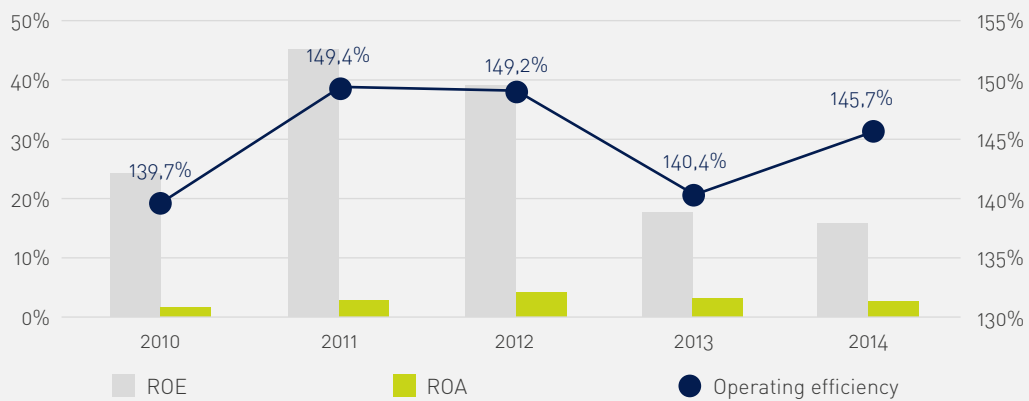
INDICATORS	2010	2011	2012	2013	Business plan 2014	2014
FROM BALANCE SHEET as at 31 December						
Assets in EUR	58,981,682	58,059,206	19,680,184	27,733,832	20,112,609	35,429,681
Equity in EUR	3,092,594	4,250,223	4,346,359	5,199,251	3,984,202	5,291,811
FROM THE INCOME STATEMENT						
Operating revenues in EUR	3,188,061	3,442,490	3,446,257	3,409,121	3,464,800	3,499,818
Operating expenses in EUR	2,282,256	2,303,883	2,309,955	2,429,008	2,445,400	2,402,439
Total revenues in EUR	3,631,440	4,369,641	4,352,606	3,495,009	3,494,800	3,538,879
Total expenses in EUR	2,742,690	2,303,931	2,319,194	2,488,626	2,490,400	2,538,957
Net profit for the financial year in EUR	664,942	1,657,629	1,670,884	852,892	833,652	835,576
EBIT - operating profit in EUR	905,805	1,138,607	1,136,302	980,113	1,019,400	1,097,379
EBITDA –operating profit + depreciation in EUR	1,113,080	1,400,307	1,452,380	1,349,059	1,362,300	1,435,781
Investments in EUR	1,255,653	723,562	636,946	241,387	304,000	208,851
PERFORMANCE INDICATORS						
Return on equity - ROE	24.1 %	45.1 %	38.9 %	17.9 %	18.2 %	15.9 %
Return on assets - ROA	1.6 %	2.8 %	4.3 %	3.6 %	4.1 %	2.7 %
Operating efficiency	139.7 %	149.4 %	149.2 %	140.4 %	141.7 %	145.7 %
Added value per employee in EUR	82,337	89,445	92,411	86,930	88,860	92,932
NUMBER OF EMPLOYEES as at 31 December						
	29	29	30	31	30	29



Movement of EBIT and EBITDA



Return on assets (ROA), return on equity (ROE) and operating efficiency



Number of members of the balancing market 38 / 40	Number of members on the slovenian power market (balance scheme members) 74 / 77	Number of production units included in the support scheme 3,575 / 3,767
Number of transactions on the balancing market 546 / 954	Number of recorded contracts and operating forecasts 106,533 / 112,012	Quantity of electricity generated by production units included in the support scheme 802,889 MWh / 905,915 MWh
Quantity of transaction on the balancing market 66,488 MWh / 78,976 MWh	Quantity of electricity from recorded contracts and operating forecasts 80,297,698 MWh / 82,480,280 MWh	Payments for support for electricity generated by production units included in the support scheme 118,515,291 MWh / 130,833,782 EUR

IMPORTANT EVENTS

IN 2014

EUROPEAN CROSS-BORDER MARKET PROJECT

The e-BADGE project, a European project conceptual cross-border balancing market with the impact of renewable energy sources, with Borzen as one of the participants was in full swing in 2014. The bulk of the work involved the analysis of potential architectures and a market simulator. The project formally started on 1 October 2012 and will be completed in September 2015.

BORZEN TOOK OVER THE ROLE OF CHAIRING THE GROUP FOR ENVIRONMENTAL MARKETS WITHIN THE EUROPEX

In 2014, Borzen took over the leadership of the working group for environmental markets (Environmental Market Work Group) through the Association of European Power Exchanges and the operator of the EuroPex. The working group primarily deals with the issues of renewable energy sources, support schemes and guarantees of origin and their impact on the operation of energy markets.

ADOPTION OF THE ACT AMENDING THE ENERGY ACT

In March 2014, a new Energy Act (EZ-1) was adopted bringing a number of the EU directives into the Slovene national legislation and thus the latter is harmonised with the European *acquis communautaire*. The operation of Borzen was faced with some new issues (such as 21-day deadline for the implementation of a change of supplier and a new funding model) but the Support Scheme is subject to more extensive changes where the entry into the scheme will be based on public tenders. The details will be available after the adoption of statutory regulations. This Act partly supplemented the tasks which Borzen is to undertake in the function of the Centre for Support in the field of information provision and raising awareness of efficient energy use and renewable energy sources. A new financial framework was also defined for the execution of these activities.

The EZ-1 is introducing new terminology so that the services provided by Borzen are now called public service obligation

relating to the Power Market Operator whereas in the past they were called public service obligation relating to the organisation of the electricity market. With the enforcement of the new Act, the governance of the company was transferred from the Capital Assets Management Agency of the Republic of Slovenia to the Government of the Republic of Slovenia.

DEVELOPMENT OF SERVICES IN THE FIELD OF EFFICIENT ENERGY USE

By being aware of the importance of energy efficiency and promoting the potentials in this field a project for designing new approaches to promote investment in energy efficiency measures was carried out and the service was developed to the stage when pilot projects can be implemented in 2015.

REPORTING AND CALCULATION OF CONTRIBUTIONS TO ENSURE SUPPORT TO ELECTRICITY PRODUCTION FROM RENEWABLE ENERGY SOURCES AND FROM HIGH-EFFICIENCY COGENERATION OF HEAT AND ELECTRICITY

Borzen has contacted the suppliers of fossil fuels and district heat to end customers who charge contribution to final customers and are also subject to billing and payment of contribution based on the EZ-1 and the Decree on the method of determining and calculating the contribution for ensuring support for the production of electricity from high-efficiency cogeneration and renewable energy sources adopted in May. They can register and report on the amount of contributions to final consumers using the web portal (<http://prispevek.borzen.si>) and at the same time they are offered support and assistance concerning the contribution.

SIGNING OF THE MEMORANDUM OF UNDERSTANDING

Borzen, the Slovenian Power Market Operator, and COTEE, the Montenegrin Power Market Operator, signed a Memorandum of Understanding in Podgorica at the end of May. The latter is based on the establishment of the transfer of knowledge, good practices and experience in the field of energy markets, namely technical, legal and specific professional solutions.

It stresses mutual cooperation in research and development within energy markets, which is of key importance for the growth and development of energy.

SATISFACTION SURVEY OF STAKEHOLDERS

With the aim to maximize the satisfaction of all our stakeholders which we intend to achieve with the stakeholder engagement, we have conducted a survey of satisfaction of the users of the services of the Centre for Support and Power Market Operator. The results are encouraging and reflect our positive attitude to stakeholders and at the same time guide us in our endeavours to further improve.

PROVISION OF PAYMENTS TO THE BENEFICIARIES OF THE SUPPORT SCHEME

In June, new contribution for renewable energy sources and cogeneration of heat and power for final consumers of district heat and buyers of fossil fuels was introduced which reduced the gap between the necessary and collected funds of the Support Scheme. However, this contribution was enforced with a delay; hence a lack of funds of the Support Scheme could be observed by the end of 2014. Borzen took out two short-term framework loans of EUR 7.5 million and EUR 9 million which were repaid in full at the end of 2014.

ACQUISITION OF THE FULL »FAMILY FRIENDLY ENTERPRISE CERTIFICATE«

In July, the Company acquired a full Family Friendly Enterprise certificate with which we intend to provide employees with the opportunity to easily reconcile work and private life as we believe that such efforts bring long-term mutual satisfaction to the Company and its employees.

REDESIGNED BORZEN WEBSITE

At the beginning of September, we published a new corporate website in terms of its content and structure which provides new and more interactive contents with the emphasis on graphic presentation of the topical data on the electricity market. The intuitive and user-friendly website invites us to view various contents regarding the electricity market, the Support Scheme for green energy, efficient energy use and renewable energy sources.

CORPORATE VOLUNTEERISM

In the spirit of the implementation of our values, we took part in a week of corporate volunteerism "Let's Join our Forces" organised by the AmCham and the Slovene Philanthropy. The employees pulled up their sleeves and helped arrange a training track and a learning pathway for the residents of the Education, Work and Care Centre Dolfka Boštjančič in

Škofljica. We spent a very fulfilling day and the results of our efforts have had a lasting impact on the training track and the learning pathway as well as in all our hearts.

SUSTAINABLE ENERGY PORTAL

In December, Borzen launched a new brand, Sustainable Energy, and a web portal of the same name. With the portal our intention is to establish an information centre, a point of contact to access the information on sustainable energy. We want to integrate the contents on this field with similar content accessible on other Slovene (and some foreign) websites and to present some additional information in renewable energy sources and efficient energy use. This project focuses on the implementation of the strategy and mission of Borzen, meets the legislative requirements and strengthens the sustainable character of the Company.

AUCTION OF THE CENTRE FOR SUPPORT FOR THE FORWARD SALE OF A PART OF ELECTRICITY

In the middle of December, an auction for the part of the energy of the Centre for Support was held. At the auction, the base load electricity from the balance group of the Centre for Support (Eco Group) was sold for 2015. The subject of the auction was the base load product divided to lots for the period from 1 January 2015 to 31 December 2015. 6 lots of the base load product were sold. Two buyers were successful at the auction.

NEW DECREE ON ENERGY SAVINGS REQUIREMENTS

At the end of December, the new Decree on Energy Savings Requirements (Official Journal of the RS, No. 96/2014) came into force on the basis of which it is stipulated that from 1 January 2015 onwards reporting and the provision of funds for ensuring energy savings would be carried out through the Eco Fund.

ADOPTION OF THE RULES FOR THE OPERATION OF THE ELECTRICITY BALANCING MARKET

On 30 December, new Rules for the operation of the electricity balancing market were published in the Official Journal of the RS, No. 97/14 which manifested the new issues related to the EZ-1 and simultaneously introduced several new provisions that will help to more reliable implementation of the fundamental mission of the balancing market, which is the supply of balancing energy for the system operator. The Rules were one of the first regulations drafted after the adoption of the EZ-1, i.e. well before the official deadline which only expires in March 2016.

IMPORTANT EVENTS

AFTER THE END OF THE

2014 FINANCIAL YEAR

PROVISION OF PAYMENTS TO THE BENEFICIARIES OF THE SUPPORT SCHEME

Due to the expected deficit of funds to finance the Support Scheme as a result of unregulated financing, Borzen had to take out a short-term framework loan of EUR 12 million in early 2015 and of EUR 12 to bridge the liquidity problems of the current year. The loan matures on 31 December 2015. The issue of funding the Support Scheme will continue unless the Government of the Republic of Slovenia takes appropriate action and changes the amount of the contribution for renewable energy sources and highly efficient cogeneration of heat and electricity and accelerates the adoption of implementing regulations of the new Energy Act.

BORZEN TOOK OVER THE MANAGEMENT OF THE ENERGY MARKET DATA EXCHANGE SECTION

In 2015, Borzen took over the presidency of the Energy Market Data Exchange Section (IPET) which functions within the Energy Industry Chamber of Slovenia with Andraž Šavli, as the Assistant Director of the Energy Division. The Section deals with the data exchange on energy markets and the definition of the data flows and processes. With the concept of a smart grid the number of entities and the quantity of data on the market have been growing, therefore, the standardization and the promotion of efficient and automated data exchange are increasingly important.

DAILY PUBLICATION OF FORECASTS OF PRODUCTION FROM DISPERSED ENERGY RESOURCES

In February, Borzen started to publish the forecasts of the production in solar power plants, small hydro and wind power plants on its website and portal www.trajnostnaenergija.si. The forecasts for individual types of power plants for the current and following day are updated on a daily basis. This is important information which can be very beneficial for the players on the power market as well as for the general public.

ELECTRICITY MARKET COUPLING

On 24 February 2015, the market coupling on the Slovenian-Italian border expanded to coupling in line with the principles of the PCR project (Price coupling of regions). The Slovenian day-ahead market is thus involved in the optimisation ranging from the Iberian Peninsula to Scandinavia, which means optimisation of a wider area. One of the consequences was a delayed deadline for the gate closure on the Slovenian Power Exchange to 12:00. As a result, Borzen also adjusted the schedule of reporting concluded contracts in the event of a delay in coupling and when coupling was not feasible.

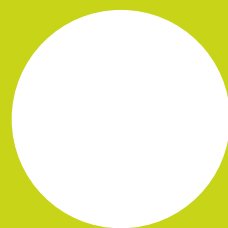
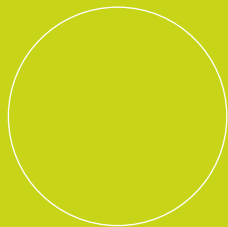
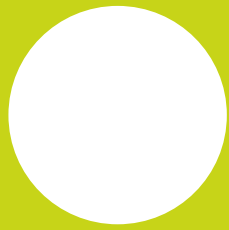
INFORMATION PROVISION AND THE RAISING OF PUBLIC AWARENESS OF RENEWABLE ENERGY RESOURCES AND EFFICIENT ENERGY USE

In accordance with the expanded tasks of information provision and the raising of public awareness of renewable energy sources and energy efficiency arising from the EZ-1, Borzen has prepared a wider range of potential projects in this field and brought it in line with the Ministry of Infrastructure. At the beginning of the year, we prepared a plan of the implementation of a number of projects in the field of information provision and the raising of public awareness of renewable energy sources and energy efficiency aimed at various target groups and in particular the general public who we wish to inform of these topics through various communication channels. The source of funding is to be confirmed with the approval of the Eco Fund for 2015 which will enable its implementation.



**“ HAND-IN-HAND
WITH SOCIAL
RESPONSIBILITY**

we walked together in 2014. We followed the set strategy and paved the path in the direction defined by our commitment to social responsibility, which we believe to be the engine of positive future. ”





BUSINESS REPORT

1. OPERATIONS OF THE COMPANY IN 2014

1.1 Company presentation

ABOUT THE COMPANY

The principal activity of Borzen, which was founded in 2001, is **the implementation of the public service obligation relating to the organisation of the electricity market**. Our work consists of two major sets of activities.

- **Market operating activities**

As Power Market Operator, we provide and facilitate coordinated operation of the Slovenian electricity system. We execute activities of balance scheme management, recording of closed contracts, the elaboration of indicative operating schedules, imbalance settlements and financial settlement of transactions, connected with aforementioned activities. In addition, we carry out the tasks associated with the establishment and operation of the Balancing market where the system operator purchases energy for the balancing of imbalances.

- **Support Centre Activities**

The Centre for Support is the support scheme operator for the generation of energy from renewable energy sources and high-efficiency cogeneration of heat and power. In this way, we support environmental policies and promote public awareness.

Borzen promotes the development of the Slovenian electricity market, its efficiency and the market mechanisms in compliance with EU guidelines. We considerably impact the processes of the integration of the Slovenian market into the single European market by systematically regulating the Slovene energy sector and bringing our national legislation in line with the European legislation. The domestic and international energy environment is co-created by our committed work and active participation in the Slovene and European trends in energy.

Figure 1: Tasks of a public utility service relating to the organisation of the power market

Balance scheme management (market access)	CENTRE FOR SUPPORT RES/CHP support scheme <ul style="list-style-type: none"> • conclusion of contracts on supports and payment of financial supports • management of scheme assets • management of scheme energy
Recording of closed contracts and operational forecasts	
Drawing up of the indicative operating schedules	Guarantees of origin registry
Imbalance settlement	Informing and educating about renewables and efficient energy use
Balancing market	Sustainable energy portal

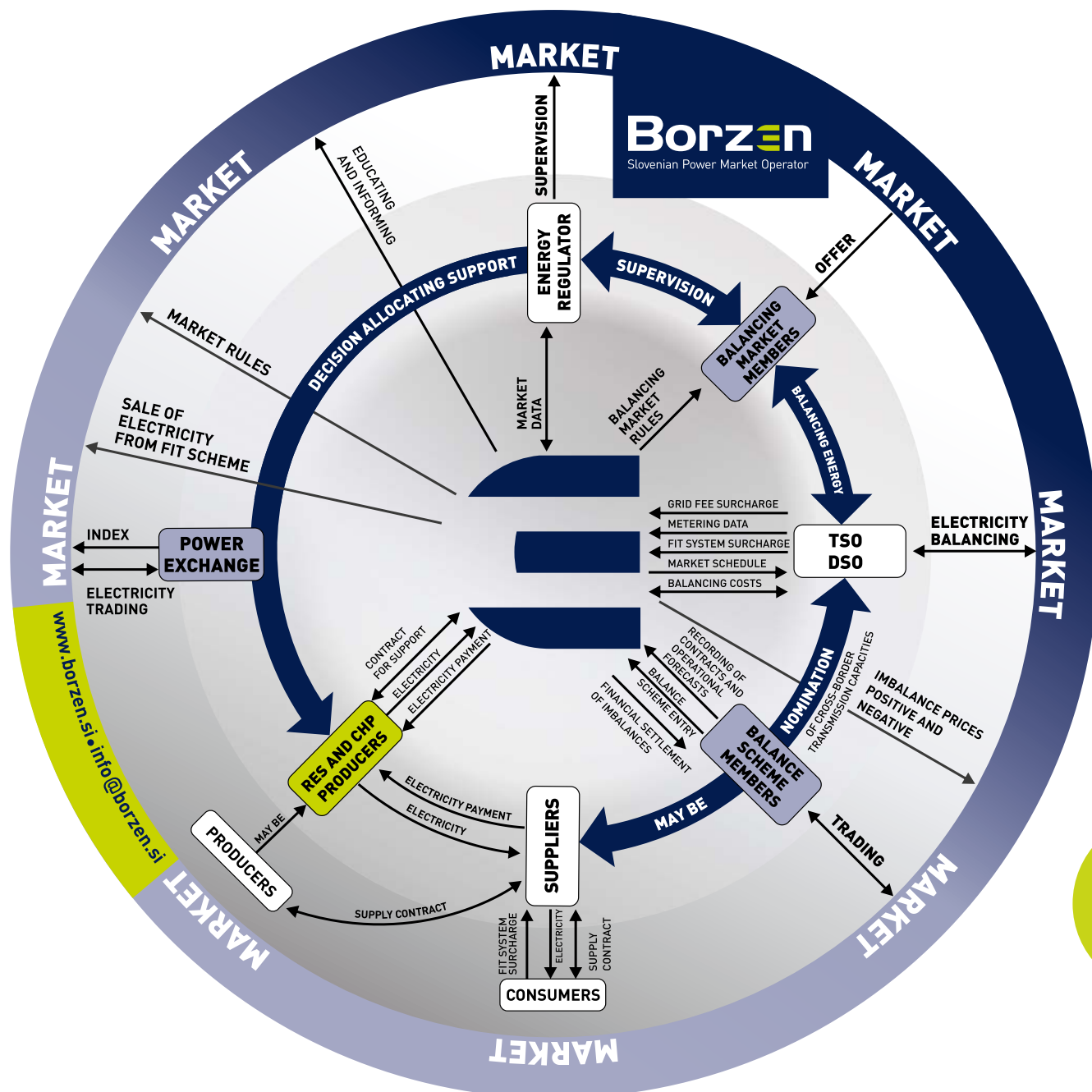
Clearing and financial settlement

In addition to the implementation of tasks of a public service of the organised electricity market, the Company also executes clearing services and information services for BSP Regional Energy Exchange.

IDENTITY CARD

COMPANY'S FULL NAME	Borzen, organizator trga z električno energijo, d.o.o.
SHORT NAME	Borzen, d.o.o.
ADDRESS	Dunajska 156, 1000 Ljubljana, Slovenia
PHONE	01 620 76 00
FAX	01 620 76 01
E-MAIL	info@borzen.si
WEBSITE	www.borzen.si
PRINCIPAL ACTIVITY	66.110 Administration of financial markets
REGISTRATION NUMBER	1613383000
TAX NUMBER	27799468
NUMBER OF ENTRY IN COURT REGISTER	1/34438/00
DATE OF ENTRY IN COURT REGISTER	28th March 2001
PLACE OF ENTRY IN COURT REGISTER	Ljubljana District Court
SHARE CAPITAL	EUR 1,963,279
GENERAL MANAGER	Karol Peter Peršolja M.Sc.
CHAIRMAN OF SUPERVISORY BOARD	Gorazd Ažman

Figure 2: Role of the Power Operator on the electricity market in Slovenia



1.2 Strategy of operations and the Company's plans

MISSION AND VISION

Figure 3: Mission and vision

MISSION

- Borzen provides system-defined, transparent, effective, and competitive Slovenian electricity market and its further integration into the European internal market with high-quality services, professionalism and neutrality.
- Borzen promotes the generation and utilisation of energy from renewable energy sources and efficient energy use.
- Borzen participates in the formation of the Slovenian and European energy policies.
- Borzen is a socially responsible company with its focus on sustainable development.
- Borzen provides an environment for passionate, professional and responsible employees who can work and develop in this dynamic company.

VISION

Borzen – Juncture of expertise, competency and responsibility for the development and implementation of services in the field of energy markets and promotion of the use of sustainable energy

KEY STRATEGIC GUIDELINES

- Business growth in terms of Borzen's positioning as a hub of activities on the Slovenian power market;
- Striving for system-defined, transparent, effective, and competitive Slovenian electricity market and its further integration into the European internal market;
- Promotion and provision of support mechanisms for renewable energy source utilisation to contribute to the increased use of renewable sources and environmental protection and to indirectly contribute to the achievement of Slovenian commitments in the international framework;
- Optimal management of the Eco Balance Group of the Centre for RES/CHP Support, which includes transparent sale of electricity and the endeavours to reduce imbalance costs of the balance group;
- Preservation of the equity stake in BSP Regional power exchange and the co-creation of conditions for further development;
- Efficient management of regulatory risks by monitoring legislative and legal processes and co-creation of the legal framework for successful performance of the tasks by the market operator;
- Provision of undisturbed trading in balancing energy on the balancing market;
- Ensuring optimal liquidity and solvency of the Company;
- Endeavours to improve the educational structure of employees and encouraging the employees to acquire new knowledge and to take part in life-long learning;
- Company's operation in the spirit of sustainable development and living, which has positive effect on the employees and a wider social environment. Responsible conduct preserves and additionally strengthens trust in successful and stable operation of the Company.

IMPACT OF ECONOMIC AND LEGISLATIVE SITUATION ON THE OPERATION AND THE DEVELOPMENT STRATEGY IMPLEMENTATION IN 2014

In 2014, the economic situation slightly improved relative to the previous year. However the consumption of electricity in

2014¹ remained 2 percent lower than in 2013. The repeated drop in consumption followed a minimum increase in 2013 compared to 2012 (27 GWh).

Last year, the trend of increasing investments into renewable

¹According to the data of the Statistical Office of the Republic of Slovenia as at 26 January 2015.

energy resources in Slovenia focused on the achievement of certain moderated minimum percentages of Directive 2009/28/EC. A big jump occurred primarily in the third quarter and particularly in September when several new power plants were connected was due to the end of the transitional period under the EZ-1. Approximately 18 MW of new power plants, mainly power plants for cogeneration of heat and electricity and electricity producers who use natural gas, were connected to the network. In the short-term and long-term period, the demand for additional sources for financing the Support Scheme can be expected. The delayed entry into the Support Scheme has resulted in increasing expenditure of 10 percent in 2014 relative to 2013, with similar trend also expected in 2015.

Further integration of the European power market as one of the most important tasks of the European Union also marked the previous year. Slovenia was also actively focused on the integration of the European internal market, since the coupling of the Slovenian and Italian daily electricity market was fully operational in 2014 and the project of expanding the coupling process within the PCR project (Price coupling of regions) was being completed. It was carried out in February 2015. Thus, the goal of a single internal power market has been progressively attained – the buyers and sellers on the

Slovenian Exchange also indirectly compete with their offers on more distant markets. The efficiency of the allocation of cross-border capacities has therefore improved.

Although the adoption of the EZ-1 in March 2014 marked a turning point, the majority of regulations remained unchanged so that the existing ones still apply on the basis of the transitional provisions of the EZ-1. The adoption of regulations, in particular the Decree on the concession and on the method for the implementation of executing public service obligations relating to the activity of the electricity market operator, could affect the Borzen operations in the future since it will redefine the financing of a public service obligation. The regulations which Borzen issues acting under public authority will have no major impact on the Company's operations except in the part related to the provision of the basis in regulations to achieve a higher level of operational excellence.

Borzen's goal setting and implementing is thus closely intertwined with the conditions in European and Slovenian legislation and the situation and trends on energy markets, which also reflected in the business operations of last year.

ACHIEVED STRATEGIC AND ANNUAL PLAN IN 2014

In the past year, we successfully followed the Company's strategy and goals.

PLANNED OBJECTIVES FOR 2014	ACHIEVED OBJECTIVES IN 2014
Achievement of the target indicator ROA 4.1 % ²	Achieved indicator ROA 2.7 %
Achievement of the target indicator ROA 18.2 % ³	Achieved indicator ROA 15.9 %
Achieving profit amounting to EUR 833,652,	Achieved profit amounting to EUR 835,576
Assets held for investment: EUR 304,000	Actually allocated assets for investment: EUR 208,851
Cooperating in Slovene and international development projects of the energy market;	Participation in various working groups in the field of the development of the energy market, among the most important ones: the e-BADGE project and the project of the data exchange on the power market.
Developing services of the Centre for RES/CHP support	Preparation of a new application for forecasting the production from dispersed energy resources, activities in the provision of information and awareness raising on renewable energy resources and efficient energy use.
Being attentive and kind to stakeholders	Implementation of various activities mainly in the field of communicating to stakeholders; greater involvement of stakeholders and more targeted communication of new content.
Sustainable development	Quality implementation of the basic activities of electricity market organisation and the Centre for RES/CHP Support, launching of a new brand and a web portal Sustainable Energy, the preparation of a Sustainable Report in accordance with the GRI guidelines, corporate volunteerism.
Optimising of business processes and the quality of operations.	Optimisation of some business processes and the provision of information support to the business processes.

²The explanation of difference of indicators in comparison to the realisation in 2014 is provided in the following under "Strategic performance indicators

³The explanation of difference of indicators in comparison to the realisation in 2014 is provided in the following under "Strategic performance indicators

ANTICIPATED CIRCUMSTANCES AND KEY GOALS OF THE COMPANY IN 2015

Also in 2015, Borzen will be affected by the circumstances in Slovenia as well as on the international energy market that are the consequence of legislative frameworks and the general economic situation. It is estimated that on the one hand, they will be similar to those in 2014, and on the other hand, in the

anticipation of the statutory regulations arising from the new EZ-1, certain changes are expected in the functioning of the Support Scheme and financing of the public utility service relating to the organisation of the power market. The unstable economic situation and financial crisis can, if they further deepen, have an impact on the operations of our Company via the activities of the participants on the energy market

In the continuation, some key objectives being a part of continuous implementation of our long-term strategy that the Company will be striving for in 2015 are summarised.

- Achieving a target ROA – – of 2.4 percent;
- Achieving a target ROE of 15 percent;
- Achieving profit amounting to EUR 860,793;
- Allocating EUR 347,000 for investments;
- Cooperating in Slovene and international development projects of the energy market;
- Developing/upgrading the services of the Market Operator and Centre for Support;
- Being attentive and kind to stakeholders;
- Sustainable development;
- Optimising of business processes and the quality of operations.

COMPANY OPERATIONAL INDICATORS

Integrated quality of operations is achieved with the knowledge and professionalism of the employees and in the pursuit of the values, vision and mission of Borzen. At a time of great economic changes, the Company is acting with an increased

level of responsibility and making informed decisions so that it can maintain the existing trust in the operations of the Company to the greatest extent possible. The key indicators for comparing the performance of the company are monitored by applying a balanced system of indicators as a system of strategic management.

Table 1: Strategic performance indicators

STRATEGIC INDICATORS	2013	Business plan 2014	2014
Revenue (in EUR)	3,495,009	3,494,800	3,538,879
Share of revenue from new activities	0.2 %	0.9 %	0.0 %
Compound annual growth rate (CAGR)	-0.54 %	0.3 %	0.5 %
Operating profit in EUR	980,113	1,019,400	1,097,379
Net profit (in EUR)	852,892	833,652	835,576
EBIT margin	28.7 %	29.4 %	31.4 %
Return on assets - ROA	3.6 %	4.1 %	2.7 %
Return on equity - ROE	17.9 %	18.2 %	15.9 %
Revenue per employee (in EUR)	112,351	115,493	117,619
Added value per employee (in EUR)	86,930	88,860	92,932
Average number of employees	30.3	30.0	29.7
Time needed for the preparation of monthly imbalance settlement	14	17	13
Time needed for preparing and sending an agreement on the provision of support and Eco decision	11	11	10.5

Other indicators of operations and activities are presented in the continuation.

Table 2: Performance indicators

OTHER PERFORMANCE INDICATORS	2013	Business plan 2014	2014
Operating fixed assets rate	8.0 %	10.6 %	5.9 %
Long-term assets rate	8.5 %	12.7 %	7.1 %
Net profit before tax (in EUR)	1,006,383	1,004,400	999,922
Operating efficiency	140.4 %	141.7 %	145.7 %
Labour costs share in added value	48.1 %	48.7 %	47.8 %
Material and service cost management (in EUR)	771,036	799,000	732,485
Equity financing rate	18.7 %	19.8 %	14.9 %
Long-term financing rate	19.0 %	20.1 %	15.2 %
Equity to fixed operating assets ratio	2.343	1.862	2.533
Immediate solvency ratio	0.423	0.300	0.306
Quick ratio	1.111	1.086	1.091
Current ratio	1.111	1.086	1.091
INDICATORS OF THE MARKET ORGANISATION ACTIVITY	2013	Business plan 2014	2014
Total consumption SLO [MWh]	13,771,410	13,665,056	13,537,132
Recorded volumes of CC [MWh]	52,591,033	53,653,286	53,870,328
Number of the Balance Scheme members	74	75	77
MO operating costs [EUR]	2,429,009	2,303,984	2,402,439
Movement of the volume of market	0.96	1.04	1.04
Index of reducing total costs	1.08	0.97	0.97
Number of the Balance Scheme members per employee *	14.8	15	15.4
INDICATORS OF THE ACTIVITIES OF THE CENTRE FOR RES/CHP SUPPORT	2013	Business plan 2014	2014
Number of participants in the scheme	3,500	4,000	3,767
Payments of support (in EUR million)	121	137	131
Personnel*	5	5	5
Financing of the CS (in EUR)	591,000	591,000	591,000
Number of participants per employee**	700	800	753,4
Payments of support per employee** (in EUR million)	24.2	27.4	26.2
Share of financing of SC in total payments	0.49 %	0.43 %	0.45 %

*The calculation does not take into consideration the employees in the back offices, but only those executing the activities of market operation.

**The calculation does not take into consideration the employees in the back offices, but only those executing the activities of Centre for RES/CHP support.

The description of the importance and a detailed explanation of the aforementioned indicators are provided in the continuation.

STRATEGIC PERFORMANCE INDICATORS

Revenue presents total revenue of the company in the period specified.

Share of revenues from new activities is calculated as a ratio between revenues from new activities and operating revenues in an individual year.

Compound annual growth rate (CAGR) presents the average annual growth of operating revenues in the selected period. The base year is the realisation in 2012.

Operating profit is the difference between operating revenues and operating expenses.

Net profit is the difference between revenues and expenses less corporate tax on profit.

Net return on sales revenue - EBIT margin (operating profit / operating revenues) indicates the profit generated by a company per 100 units of sales revenue.

Return on assets – ROA (net profit / average assets) shows a ratio between the operating result achieved and the assets invested. The level of the indicator is influenced by the assets managed and related receivables. The level of the indicator is influenced by the assets managed and related receivables. Return on assets is lower relative to 2013 and the value planned for 2014 mainly due to higher short-term receivables

OTHER PERFORMANCE INDICATORS

Operating fixed assets rate (fixed assets at the net book value / assets) indicates the share of fixed assets at the net book value in total assets. The level of the indicator is influenced by the assets managed and related receivables.

Long-term assets rate (the sum of equity, long-term debt and provisions and long-term deferred costs and accrued revenues / liabilities) indicates a level of long-term assets in total assets of the company. The level of the indicator is influenced by the assets managed and related receivables.

Total profit indicates profit / loss before tax.

Operating efficiency indicator is defined as a ratio between operating revenues and operating expenses. Operating efficiency suggests how much revenue the company generates per 100 units of operating expenses.

Labour cost share in added value indicator shows the level of labour costs in added value.

Indicator of material and service cost management shows the trends in material and service costs in individual years.

The **equity financing rate** (equity / liabilities) shows the owner's stake in financing in total assets of the company. It reflects the rate of financial independence and thus the rate of financial security. The level of the indicator is influenced by the assets managed and related receivables.

arising from the introduction of the new contribution for final consumers of district heat and buyers of fossil fuels and from the deficit of funds in the Support Scheme – the deficit is disclosed as receivable due to insufficient contribution.

Return on equity – ROE (net profit / average equity) indicates net return on equity respectively profit per a unit of equity. The indicator is lower than planned despite higher profits because of lower dividend payments to the owner.

Revenue per employee indicator shows the level of net sales revenue per employee.

Added value per employee indicator measures the value generated in the period. This means that costs of material and services are deducted from net sales revenue and the value obtained is then divided by the average number of employees. The value added per employee thus includes depreciation, profit and labour costs.

The **indicator of the preparation of imbalance settlement** indicates the number of days used for the preparation of imbalance settlement.

The **indicator of the preparation of and sending an agreement on the provision of support** shows the number of days needed for the preparation of a contract on the provision of support and the Eco decision.

Long-term financing rate (the sum of equity, long-term debt and provisions and long-term accrued expenses and deferred revenues / liabilities). The indicator shows a share of sustainable and long-term financing into liabilities. The level of the indicator is influenced by the assets managed and related receivables.

The **equity to fixed operating assets ratio** (equity / fixed assets at the net book value) shows the ratio between equity and fixed assets and implies financing of fixed operating assets by the owners.

The **immediate solvency ratio** (liquid assets / short-term liabilities) shows the capacity of the company to settle short-term debts. The level of the indicator is influenced by the assets managed and related liabilities.

Quick ratio (the sum of liquid assets and short-term receivables / short-term liabilities) shows the ability to cover short-term liabilities with cash and short-term receivables. The level of the indicator is influenced by the assets managed and related liabilities.

Current ratio (short-term assets / short-term liabilities) shows the ability to settle short-term debts with cash and short-term assets. Since the Company has no stocks, the value of this indicator equals the previous indicator.

INDICATORS OF THE MARKET OPERATOR ACTIVITY

Indicator of the **movement of the volume of market is** defined as a ratio between recorded quantities of trading on the power market (volume of recorded closed contracts) and total electricity consumption in the country whose movement is monitored and compared against previous years.

Index of reducing total costs of the operations of the Market Operator is calculated as a ratio between total operating costs and total quantity of recorded quantities traded on the electricity market (volume of recorded closed contracts). The index is established according to the previous year.

Number of the Balance Scheme members per employee includes balance groups and subgroups and it is calculated on the basis of the number of the employees in the field of the activities carried out by the market operator.

INDICATORS OF THE ACTIVITIES OF THE CENTRE FOR RES/CHP SUPPORT

The **number of participants per employee** shows a ratio between the number of the Support Scheme participants (contracts; the Eco decisions are not included) and the number of employees in the Centre for RES/CHP Support.

The indicator of the **payment of support per employee** is calculated as a ratio between the value of paid supports by individual year (excluding VAT) and the number of employees in the Centre for RES/CHP Support.

Share of financing of SC in total payments shows a share (in %) in total payments of support and represent a part of the contribution intended for the operation of the Centre for RES/CHP Support (both values excluding VAT).

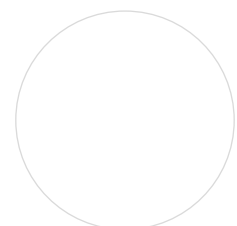
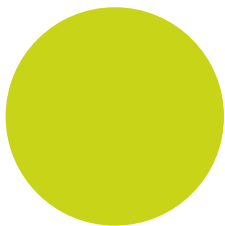
The indicators show that the volume of the Slovenian electricity market slightly increased in 2014. To be more specific, the recorded quantities of closed contracts increased while consumption even decreased slightly. Since 2010, total number of the Balance Scheme members has been gradually increasing and in this period it went from 61 to 77.

The index of reducing total costs shows a trend of movement of a ratio between costs and recorded closed contracts from year to year. If the indicator is less than 1, which was the case in 2014, it means that the cost per MWh of consumption in Slovenia has dropped.

It should be highlighted that the trends to which the indicators are subject mainly depend on market developments and the Market Operator cannot actively influence the quantities of recorded contracts, total consumption in the country and the number of Balance Scheme members.

The indicators of the activities of the Centre for RES/CHP Support reflect exceptional growth of the Scheme with a relative stagnation of sources. In the period from 2009 to 2014, the number of the Scheme participants increased from 200 to approximately 753 in 2014. A share of funds used for its own activities dropped from 2.6 percent in 2009 to 0.45 percent in 2014. Further reduction to approximately 0.4 percent is expected. This is a very low share also when compared to foreign comparable companies indicating under-financing of the activity.

To a large extent, indicators depend on the decisions which from the point of view of the company are exogenous – depended on the national policy towards the Support Scheme.





**“ HAND-IN-HAND WITH
TRANSPARENCY**

Borzen considers transparency an important principle and value for building trust for our stakeholders and the market. We sincerely respect it in our operations. ”

1.3 Management of the Company

CORPORATE-GOVERNANCE STATEMENT

The Management and the Company's Supervisory Board give a corporate-governance statement in accordance with Article 70 of the Companies Act and point 72 of the Corporate Governance Code for Companies with State Capital Investments. The corporate-governance statement in compliance with the Corporate Governance Code for Companies with State Capital Investments and the recommendations by the Capital Assets Management Agency of the Republic of Slovenia contains the content as required by Article 70 of the Companies Act for public limited companies.

1. Reference to the Code

Borzen follows the recommended standards contained in the Corporate Governance Code for Companies with State Capital Investments adopted by the Slovene Compensation Fund and the Slovenian Sovereign Holding respectively and which are publicly accessible on the website of the signatory or the Code's issuer.

In its operations in the 2014 financial year, Borzen adhered to all provisions of the Code. In the 2015 financial year, the Company will strive to take into consideration the provisions of the Code and potential recommendations in order to ensure and further co-create transparent and clear system of governance in Slovenia and thus take part in increasing the level of trust into the governance system.

With the enforcement of the EZ-1 the Government of the Republic of Slovenia started to exercise the rights as Borzen's Shareholder.

2. System of corporate governance of the Company

Borzen has a two-tier system of governance. Managing bodies of the Company are: the Management, Supervisory Board and the Shareholder.

MANAGEMENT OF THE COMPANY

The management of the company is a one-member body, General Manager, appointed by the Supervisory Board for a five-year period. Karol Peter Peršolja, M.Sc., has been

running the Company and has represented it since 1 January 2010. In 2014, Karol Peter Peršolja, M.Sc. was reappointed General Manager for a term of next five years beginning on 1 January 2015.

The General Manager of the Company was also appointed a member of the Supervisory Board in an unrelated company, namely in Casino Kobarid d.d. (part of 2014) and as the Chairman of the Supervisory Board BSP d.o.o. (the entire 2014).

The General Manager is entitled to basic payment (salary) and reasonable payment for the performance of the Company (performance-related pay). These remunerations are presented in more detail in the Financial Report.

SUPERVISORY BOARD OF THE COMPANY

In line with the Act of the establishment of Borzen, the Supervisory Board consists of three members appointed by the Shareholder for a period of five years.

The term of office of the Supervisory Board composed of:

- Chairman of Borzen's Supervisory Board: Vekoslav Korošec, M.Sc.
- Deputy Chairman of the Supervisory Board: Janko Kramžar,
- Supervisory Board Member: Tomaž Fatur, M.Sc.,

expired on 16 April 2014. At the Assembly of the Company, the Government of the Republic of Slovenia appointed new members of the Supervisory Board which started its term of office on 17 April 2014. After the constituent meeting held on 6 May 2015 the Supervisory Board of Borzen is composed of:

- Chairman of the Supervisory Board: Gorazd Ažman,
- Deputy Chairman of the Supervisory Board: Dejan Paravan, PhD,
- Supervisory Board Member: Janez Černe.

In line with the Act of the establishment of Borzen, the Supervisory Board has the following competences:

- Appointment and recall of the General Manager,
- Examination of the annual report and drafting a proposal regarding the use of accumulated profits, drafting a written report on the examination of the annual report for the founder or the only Shareholder, approval of the annual report or the submission of the comments related to it,
- Proposing to the founder or the only Shareholder the adoption of resolutions and giving opinions regarding the General Manager's proposals for the adoption of the resolutions by the founder or the only Shareholder,
- Adoption of the annual plan of operations and the Company's annual report,
- Giving the explanatory opinion to the strategic plan of the Company,
- Conclusion of the employment contract with the General Manager and the confirmation of the content of other contracts that the Company concludes with either the General Manager or procurator,
- Giving a consent to the General Manager to appoint a member of the supervisory or administrative body of the legal entity where the Company effectively exercises a dominant influence,
- Giving a consent to the General Manager to dispose of the shares or a stake of the legal entity where the Company effectively exercises a dominant influence,
- Posing a requirement to the General Manager to provide any information necessary to perform control in the Company or in subsidiaries.

The Supervisory Board meets at least once every quarter in accordance with the Companies Act, the Act of the establishment of Borzen and the Rules of procedure of the Supervisory Board. In the 2014 financial year, the Supervisory Board's old members had two regular sessions, whereas the new members had six regular sessions and one correspondence session. The Supervisory Board did not establish a special committee for its work.

The Supervisory Board Members have positions in other companies that are not associated with Borzen:

- Chairman of the Supervisory Board Gorazd Ažman: General Manager of Mentem, poslovno svetovanje, d.o.o. and a representative/president of the Basketball Club Osnovna šola Naklo;
- Deputy Chairman of the Supervisory Board Dejan Paravan, PhD: General Manager of GEN-I Milano S.r.l., member of the Management Board of GEN-I Zagreb d.o.o. and General Manager of GEN-I Vienna GmbH;
- Member of the Supervisory Board Janez Černe: General Manager of Energovat inženiring d.o.o., General Manager of KOENERGO soproizvodnja toplote in električne energije d.o.o. and General Manager of KOENERGO A soproizvodnja toplote in električne energije d.o.o.

In 2014, the Supervisory Board Members were entitled to remuneration for the performance of their function based

on the applicable decision of the Shareholder, which are presented in detail in the Financial Report.

SHAREHOLDER

The Republic of Slovenia is the only Shareholder of Borzen. Prior to the entry into force of the EZ-1, the rights of a Shareholder were exercised by the Slovene Compensation Fund; however, with its enforcement in March 2014 the governance of the Company was transferred to the Government of the Republic of Slovenia.

The Shareholder independently makes decisions in all matters within its competences. In accordance with the Act of the establishment of Borzen, the Shareholder shall decide on the following:

- Appointment of an auditor,
- Adoption of the annual report when the Supervisory Board did not approve the annual report or when the General Manager and the Supervisory Board lets the decision on the adoption of the annual report to be taken by the only Shareholder,
- Adoption of the strategic plan of the Company's development,
- Use of the accumulated profit and covering losses,
- Granting discharge to the Management,
- Appointment and recall of the Supervisory Board Members,
- Granting discharge to the Supervisory Board Members,
- Measures to increase or decrease share capital,
- Division and cessation of stakes,
- Giving consent to take out loans of the value exceeding EUR 1 million,
- Representing the Company in legal proceedings before the courts against the Supervisory Board Members,
- Winding up of the Company and reorganisation of the status,
- Other matters stipulated by law and not transferred to the Supervisory Board.

The Shareholder normally holds one session each year – Assembly. In the 2014 financial year, four Assemblies were held, the first in March where the Shareholder approved the taking out of a short-term loan of EUR 7.5 million to overcome the liquidity problems of the Support Scheme for renewable energy sources (RES) and highly efficient cogeneration of heat and electricity in 2014.

The second Assembly was held on 17 April 2014 when the Shareholder appointed three new members of the Supervisory Board and adopted a new Act of the establishment of Borzen and adopted a decision regarding the basic remuneration, attendance fees and payment for the execution of the function of the Supervisory Board members.

The third Assembly was held in July 2014 where the Shareholder:

- was briefed on the Annual Report of Borzen for 2013 in the submitted text with the opinion of the certified auditor and the reasoned opinion by the Supervisory Board;

- took a decision concerning distributable profit sharing;
- granted discharge to the General Manager of the Company and the members of the Supervisory Board;
- approved taking out a short-term loan of EUR 9 million to overcome the liquidity problems of the Support Scheme for renewable energy sources and highly efficient cogeneration of heat and electricity.

The fourth Assembly was held in December 2014 when the Shareholder approved taking out a short-term framework loan in the amount of EUR 12 million to overcome the liquidity problems of the Support Scheme for renewable energy sources and highly efficient cogeneration of heat and electricity in 2015.

3. Declaration of Conformity with the Provisions of the Corporate Governance Code for Companies with State Capital Investments

The Management and the Supervisory Board of Borzen hereby declare that the Company in its business operation respects the provisions of the Corporate Governance Code for Companies with State Capital Investments.

In accordance with Article 60 of the Companies Act, the management and the Supervisory Board hereby ensure that the annual report of Borzen was compiled and will be published in accordance with the Companies Act and the Slovenian Accounting Standards.

The Management approves and confirms the financial statements of Borzen for the year finishing on 31 December 2014, and Notes on financial statements compiled on the assumption of the Company's continued operation and in accordance with the applicable legislation and the Slovenian Accounting Standards.

The Management confirms that appropriate accounting policies were used in the creation of the financial statements and that the accounting estimates were made according

to the precautionary principle and the principle of good management, and that the financial statements reflect the true and fair picture of the company's assets and results of its business operations for 2014.

4. System of internal controls and risk management of the Company

A system of internal controls as well as a system of risk management is carried out in accordance with the system of integrated risk management as described in a special chapter of this report.

5. Associated companies

Borzen has a stake in BSP Regional Energy Exchange whose co-founder it is.

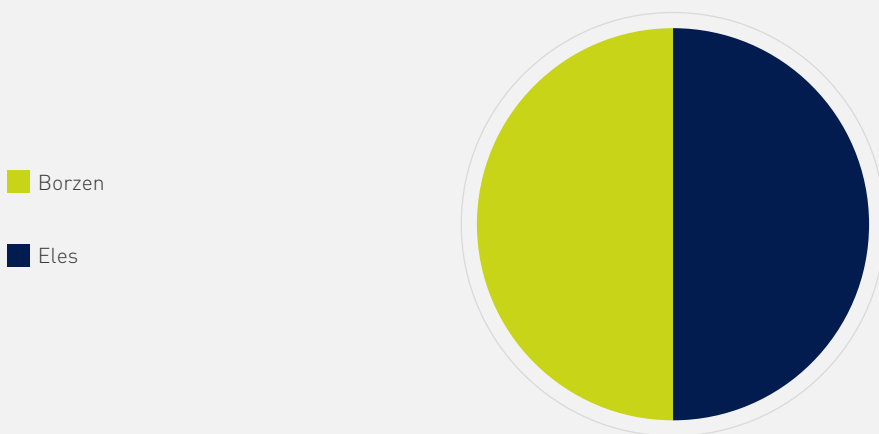
BSP Regional Energy Exchange is managed by Borzen and Eles d.o.o. each having a 50-percent stake.

Figure 4: Stakes in BSP Regional Energy Exchange

BSP Regional Power Exchange provides day-ahead and intra-day trading on the Slovene electricity market. At the same time, the Company actively takes part in the processes of the formation of the single European electricity market in the field of trading on the electricity exchange. In day-ahead trading on the electricity market, the Company is connected through a mechanism of coupling with the neighbouring Italian market into a single European electricity market, and in intra-day trading the first step was taken with the establishment of the local intra-day trading in 2012. The services of the exchange include the trading process, as well as clearing and financial settlement of transactions.

The results of the BSP Regional Power Exchange in 2014 exceeded all expectations by generating profit in the amount of EUR 559 thousand (after taxation). The positive result was mainly influenced by the volume of transactions concluded on the exchange, which increased by 9 percent, and the admission of six new market participants to the Exchange membership.

Figure 4: Stakes in BSP Regional Energy Exchange



1.4 Risk management

CIRCUMSTANCES THAT AFFECTED THE RISKS AND THEIR MANAGEMENT

For a successful business operation it is of great importance to identify risks in most efficient manner and to provide successful management. Borzen is a company providing public service, which consequently means that we are related to our regulatory environment that seriously affects all the categories of identified risks. The contribution for the use of fossil fuels and district heat which reduced the gap between the necessary and collected funds of the Support Scheme was enforced with some delay. This fact considerably marked the Company's risk management, last year as well as at the beginning of this year.

INTEGRATED RISK MANAGEMENT

The system of integrated risk management is supported by the register of risks where all key risks which can have an impact on the attainment of set business goals of the Company have been identified and is the strategic risk management in our Company.

Risk identification is conducted in parallel with the Company's business plan preparation, the strategic business plan preparation or revision and in parallel with major business decisions, project or any considerable change on the market or of relevant legislation. Identified risks are analysed in detail whereby the significance of a risk is defined as well as the necessary measures to manage it.

Priorities were set based on performed risk assessments and cost and benefit weighting and the most appropriate risk management was selected. As a result the risk would be at the desired exposure level after the implementation of measures. Thus we chose between strategies to avoid the risk, risk reduction, risk transfer to a third party or risk acceptance.

KEY IDENTIFIED RISKS

In the phase of identification, risks are classified into four groups based on the size of the company and its activities, number of employees, acting on the market and the legislative framework that limits and binds the company, namely:

- Strategic / business risks,
- Operational risks,
- Financial / market risks,
- Risk of non-compliance with the regulations - legislation.

In the continuation, we present the key identified risks in individual risk groups that are estimated to be present and to which we will be exposed also in the next period.

STRATEGIC / BUSINESS RISKS

Strategic or business risks are related to successful implementation of the strategy and the Company's objectives, the ability to generate short-term and long-term operating revenues and the maintenance of property value and the Company's reputation. These risks are related to the

changes of legislation and statutory acts and the impacts of environment, and the organization of the Company, its activities and restrictions of operations.

One of strategic risks is also the investment risk that is connected with the investment into BSP Regional Energy Exchange where Borzen has a 50-percent stake. It is mainly about a risk related to the investment management, which is the issue that has been addressed by both partners and their mutual coordination concerning the management and further development of the Company. The risk is related to the non-implementation of the business plan and therefore the representatives in the Supervisory Board have an important role in monitoring the operations and acquiring information from the management.

Other business risks arise from investments and public procurement procedures that are managed by constant improvement of the quality of investment preparation, implementation, activation and monitoring.

No considerable deviations were identified while monitoring strategic/business risks in 2014.

OPERATIONAL RISKS

Operational risks are related to damage caused by improper execution of internal procedures, improper conduct of the employees, information-technology errors and poor quality of the services performed by external providers. Operational risk identification and management are crucial for the successful operation of the Company since efficient internal procedures, professional, experienced and highly-motivated employees represent a guarantee for the prevention of operational risks and the correct and efficient adaptation of operations in all economic situations.

More important information system risks include possible disruptions to the operation of the application and system software, hardware, and communication and network connections; special attention is also given to information security risks. The risks are primarily reduced by redundant independent optical connections between the two locations, synchronous replication and data backup.

Human resource risks are vital for Borzen due to the implementation of different activities within the organisation of the electricity market and the specificity of the assigned tasks. Additional tasks acquired by Borzen every year demand that the employees constantly upgrade their existing knowledge and obtain new knowledge, flexibility and quality team work. The biggest risk for the company is the possibility to lose the key employees; this is why special attention is given to social dialogue, additional professional training, motivation of employees and providing stimulating working conditions and working environment.

According to the level of risks, the risk related to the projection of the funds necessary for the Support Scheme was the most outstanding. One of the tasks entrusted to the Centre for RES/CHP Support is the preparation, in cooperation with the Energy Agency, of the annual estimate of funds required for the provision of support. At operational level, the payment is made by the Centre for RES/CHP Support, therefore the risk of an incorrect estimate is borne by the Centre for RES/CHP Support only. An incorrect estimate of the resources can also result in the liquidity problems.

Other operational risks are limited by clearly defined processes, precisely defined roles, responsibilities and powers of the employees, and adopted rules.

No significant deviations were identified while monitoring the operational risks in 2014.

FINANCIAL / MARKET RISKS

The effects of financial crisis are seen, among other things, in over-indebtedness of the companies, insolvency and late payments. Market Operator's task is to manage such situations and diligence for short- and long-term solvency and business operation in accordance with the Rules which dictate deadlines and obligations regarding payment implementation to the Market Operator. The financial risk management also implies the attainment of stable operations, management of financial expenses within the planned framework and long-term solvency.

The risk of non-fulfilment of financial obligations means that there is a risk that the counterparty would not fulfil its financial liabilities in accordance with contractual terms. Management of these risks is important for ensuring better liquidity and consistency of financial flows between inflows and outflows. This risk of non-fulfilment of financial liabilities is present mainly in the financial settlement of the imbalance settlement. To this end, Borzen included this type of risk management to the Rules for operation of the organised electricity market. Future Balance Scheme members are verified upon their application for membership by careful examination of their credit ratings and by monitoring their operations in the continuation. Prior to joining the Balance Scheme members are obliged to submit adequate financial guarantees in the form of a cash deposit or a bank guarantee payable upon first call. The process of managing the risks of non-fulfilment of financial liabilities includes the calculation of requisite variable financial guarantees in case of imbalances. The variable financial guarantees are increased on the basis of forecasted imbalances (on a daily basis) or every time an invoice for positive imbalances is issued if the imbalances are higher than submitted guarantees. In case of Financial Settlement Participants' non-fulfilment of financial liabilities, Borzen can use their financial guarantees and, as a last resort, exclude a Balance Scheme Member from the Balance Scheme. Balance Scheme Members fulfil their liabilities in time; therefore it was not necessary to cash in financial guarantees in this respect.

Liquidity risk defines the ability to provide adequate financial funds for prompt payment of due liabilities. Borzen ensures the highest financial liquidity by always having at its disposal

sufficient liquid assets for the settlement of due liabilities within the deadline. On a daily basis, the company plans its short-term solvency by regularly monitoring cash flows and careful planning of outflows and inflows on monthly basis. A system for the management and optimisation of short-term financial surpluses is also in place. In addition, diversification of financial investments and coordination of the maturity of liabilities and receivables and their consistent recovery are also ensured.

In the financial settlement of support for the production of electricity from renewable sources and high-efficiency cogeneration of heat and power the Company is exposed to a risk of insufficient financial funds for the provision of support. Two short-term framework loans of EUR 16.5 million to mature on 31 December 2014 were taken out due to delayed provision of sufficient financial resources under the EZ-1 Borzen to enable timely payments of support to the beneficiaries of the Support Scheme, thereby reducing the risk level.

The enforcement of the EZ-1 has increased the risk of non-fulfilment of financial liabilities in the field of financing the Company since the act envisages new contributions to finance the Company's operations; on the other hand, these contributions have not yet been supported in the implementation part whereas the act envisages no transitional provisions.

Beside the aforementioned risks, we also monitor foreign-exchange and interest risks which were fairly modest and did not need any special management. Clearing and financial settlement in different segments of business operation within foreign-exchange business operation are done in Euro. Interest risk is associated with unexpected increased financing costs due to a change in interest rates on the market. Since the Company took out a short-term framework loan and the interest rate is tied to monthly EURIBOR, it is estimated that the company is not exposed to a significant risk.

No considerable deviations were recorded when monitoring financial/market risks in 2014.

LEGISLATIVE RISKS / COMPLIANCE WITH THE RULES

A regulatory risk is a risk related to the amendments made to regulations and their ambiguity, which cannot be influenced by the Company. The exposure of the Borzen Company to regulatory risks is high since the core business of the Company being a public service is regulated. It also needs to be emphasised that the sources of financing a public service is also regulated.

Regulatory risks that are related to damage due to breaching or non-compliance with law and statutory acts are mainly managed by regular monitoring and active participation in the preparation of regulations and timely adjustment of operations.

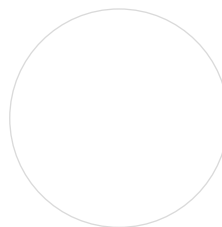
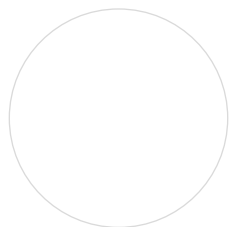
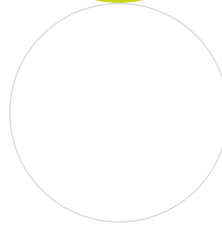
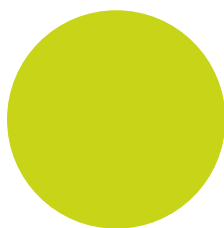
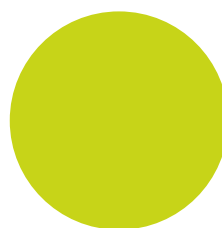
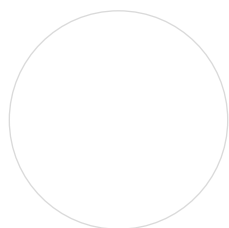
Regulatory risk is also managed by as precise as possible and unambiguous regulations that Borzen acting under public authority issues as a provider of commercial public services of the organised electricity market, and consequently well-defined contractual provisions.

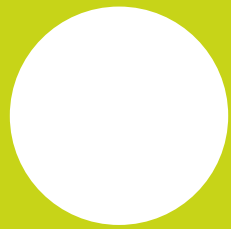
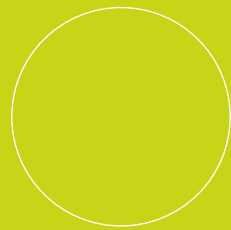
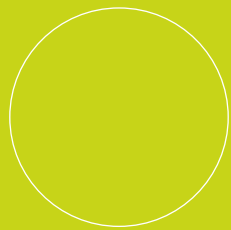
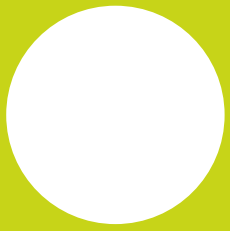
A high level of attention is paid to the second risk which is related to potential loss of public utility services owing to the enforcement of the Network Codes on Electricity Balancing (hereinafter "NC EB"). In the light of the above, the risk is managed by actively participating in making comments regarding the aforementioned Code. We are mainly active through the Europex Association where we make proposals aiming at maintaining the existing activity. The proposals seek to prevent the interventions into the existing national arrangements; however, the activity will have to adjust to the new regulatory framework. To that end, particular attention will continue to be devoted to this risk in the future.

The period was marked by the preparation of the new Decree on the concession and on the method for the implementation of performing public service obligation relating to the activity of the electricity market operator as a result of the adoption of the new EZ-1. Substantially, the most significant change was the abolition of the financial source linked to cross-border (export) contracts which was replaced by the payment of Balance Scheme members for closed contracts reporting. The Decree was not adopted until the end of the year; therefore, the risk level can still increase especially in the field of

financing the activity as well as in the field of operational risks. In 2014, Borzen was engaged in legal proceedings before the courts of which the dispute with ELES d.o.o. regarding the obligation to pay for recording closed contracts with the use of cross-border transmission capacities impacted on the operations, which is presented in detail in the Financial Report. Other disputes refer to the assets of the Centre for Support, namely either to the payment of contribution or to the refunding of the paid support due to the subsequent cancellation or termination of the Decision on the provision of support. All these cases involve smaller amounts except in the SE-ELEK case where the dispute concerns the quantity of electricity delivered to the public network within the guaranteed purchase system.

With regard to legislative risks in 2014, a major deviation has been identified between the level of risk and the acceptable level of risk. The reason for this deviation is mainly in the increased legislative activity at the national level and the EU level. Therefore, the perceived higher risk levels in the legislative field were given special attention so that we expect the risk levels to adequately decrease as a result of the measures implemented so far.







“ **HAND-IN-HAND WITH
THE DEVELOPMENT
OF THE ENERGY MARKET** ”

Borzen has been doing it for many years. We are aware that it is development which brings added value to the market and all its participants. We believe that our efforts and the focus on the development and connecting knowledge on the Slovenian and European market will bear fruit in the future.”

2. MARKET OPERATOR ACTIVITY IN SLOVENIA

2.1 Recording of closed contracts, operational forecasts and preparation of an indicative operating schedule of the transmission and distribution network

The Energy Act imposes on the Market Operator the obligation of recording contracts of Balance Scheme Membership and Open and Closed Contracts. All contractually agreed obligations according to which electricity is bought or sold in the Republic of Slovenia or is transferred outside the regulation area are recorded. Closed contracts and operational forecasts are recorded on a daily level seven days in a week. Every day, the market operator draws up an indicative operating schedule of the transmission and distribution network that is submitted to the Transmission System Operator (ELES). In the event of a change in concluded closed contracts and operational forecasts that can be reported in accordance with the Rules for the Operation of the Organised Electricity Market due to »intra-day« trading also the corrected final schedule is prepared.

RECORDING OF CLOSED CONTRACTS AND OPERATIONAL FORECASTS

In 2014, there were 112,012 registered closed contracts and operational forecasts within the framework of open contracts in total quantity of 82,480,280 MWh. Compared to the previous year, the number of recorded closed contracts and operational forecasts was, in the same period, 5.1 percent higher and total quantity was 2.7 percent higher.

In 2014, there were 112,012 registered closed contracts and operational forecasts within the framework of open contracts in total quantity, which is 5.1 percent higher than in 2013.

Table 3: Monthly volumes of electricity sold or bought through closed contracts (CC) and operational forecasts (OF) and the number of recorded closed contracts and operational forecasts on the organised market in Slovenia in 2014

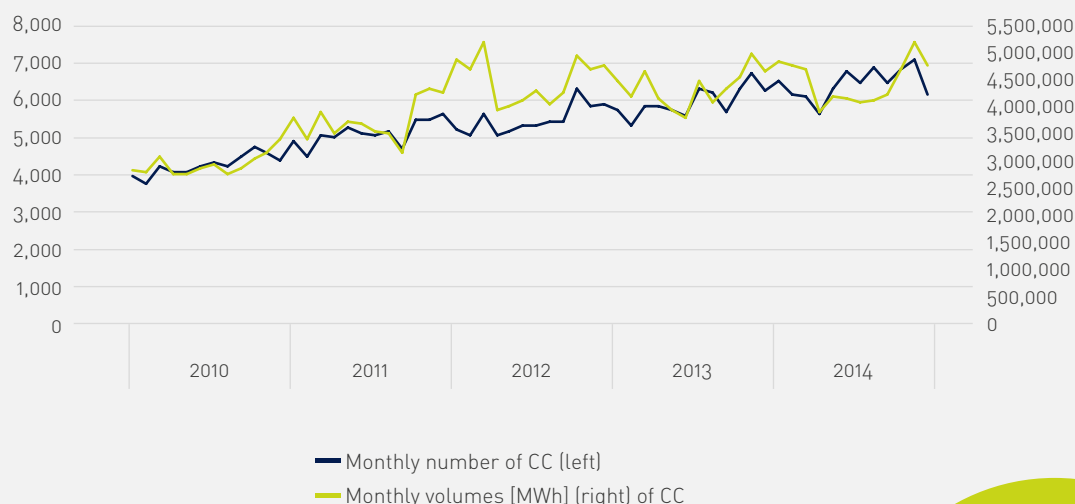
Month	Closed contracts (in MWh)	Operating forecasts (in MWh)	Recording of closed contracts and operational forecasts
January	4,861,343	2,588,958	9,507
February	4,790,805	2,353,027	8,847
March	4,719,784	2,524,734	9,032
April	3,910,960	2,347,259	8,464
May	4,205,743	2,458,926	9,202
June	4,161,404	2,326,303	9,557
July	4,110,540	2,338,734	9,340
August	4,134,587	2,276,425	9,799
September	4,253,051	2,368,585	9,268
October	4,721,229	2,275,616	9,762
November	5,213,192	2,382,755	10,041
December	4,787,690	2,368,630	9,193
Total	53,870,328	28,609,952	112,012

Table 3 shows the volumes of electricity sold or bought through Closed Contracts and operational forecasts. Compared to 2013, the volume of electricity from closed contracts was 2.4 percent higher, whereas the volume of electricity sold through operational forecasts was 3.3 percent higher. This means that the trading activity among participants has strengthened.

A comparison of the number of recorded closed contracts and the total quantity of electricity covered by recorded closed

contracts in the last five years (from 2010 to 2014) shows that the quantity and number of contracts increased the most in 2011. The data indicate increased activity of market participants in 2011, which can also be attributed to the market coupling on the Slovenian-Italian border. In the past three years the annual quantity of recorded Closed Contracts and operational forecasts has remained almost unchanged, but the number of registered closed contracts in the same period has increased by almost 18 percent.

Figure 5: Monthly volumes of electricity sold or bought through closed contracts (CC) and operational forecasts (OF) and recorded closed contracts and operational forecasts on the organised market in Slovenia in 2014



The data on growth trends in last five years are also presented in the next table.

Slovenia was a net importer of electricity in 2014. Net import represented 2.6% of Slovene consumption.

Table 4: Yearly volumes of electricity sold or bought through closed contracts (CC) and operational forecasts (OF) and recorded closed contracts and operational forecasts on the organised market in Slovenia from 2010 to 2014

Year	Annual volume of recorded CC (MWh)	Increased number of CC in % compared to the previous year	Recorded CC at the annual level	Increased number of CC in % compared to the previous year
2010	35,393,791	20.90%	51,169	12.20%
2011	45,288,986	27.96%	61,541	20.27%
2012	54,065,973	19.38%	65,904	7.09%
2013	52,591,033	-2.73%	71,733	8.84%
2014	53,870,328	2.43%	77,675	8.28%

From 2010 to 2014, total electricity bought through closed contracts and operational forecasts increased by 52.2 percent and the number of recorded closed contracts and operational forecasts on the organised market in Slovenia rose by 51.8 percent.

TRANSMISSION OF ELECTRICITY ON THE BORDERS OF THE SLOVENIAN REGULATION AREA

Transmission of electricity on the borders of the Slovenian

regulation area in 2014 accounted for 2,681,459 TWh, which means that in Slovenia there was a surplus of electricity accounting for 19.8 percent compared to total consumption in Slovenia. However, since 3,028,504 MWh of electricity from the Krško Nuclear Power Plant (NPP) belonged to Croatian network, Slovenia was a net importer of electricity in 2014. Net imports totalled 347,045 MWh representing 2.6 percent of Slovene consumption.

Table 5: Total import and export of electricity on the borders of Slovenian regulation area in 2014 in MWh

Month	Export	Export from NPP	Import	Net position excl. NPP	Net position excl. NPP
January	877,846	1,136,494	864,280	272,214	13,566
February	878,933	1,111,919	864,305	247,614	14,628
March	903,239	1,161,752	827,238	334,514	76,001
April	658,193	908,029	630,356	277,673	27,837
May	774,706	1,032,111	683,423	348,688	91,283
June	724,134	970,633	744,928	225,705	-20,794
July	673,334	928,462	745,574	182,888	-72,240
August	688,247	943,561	698,294	245,267	-10,047
September	747,763	996,412	755,208	241,204	-7,445
October	687,411	944,952	897,586	47,366	-210,175
November	913,186	1,162,389	996,910	165,479	-83,724
December	753,304	1,012,086	919,239	92,847	-165,935
Total	9,280,296	12,308,800	9,627,341	2,681,459	-347,045

Compared to 2013, the export of electricity excluding the Croatian energy from the Krško NPP increased by 9.8 percent and equalled 9,280,296 MWh whereas the import in the same period decreased by 2.2 percent and equalled 9,627,341 MWh.

In 2014, the export on the Austrian border compared to 2013 was 38.5 percent lower and amounted to 1,338,487 MWh, import, on the other hand, was 9.6 percent higher and amounted to 5,560,738 MWh.

The export on the Croatian border was 38.9 percent higher taking into account the Croatian part of the Krško NPP compared to 2013 and amounted to 7,026,322 MWh.

The import was 24.1 percent lower and amounted to 3,522,892 MWh in the same period. Total power generation in the Krško NPP dropped by 20.4 percent compared to 2013 and equalled 6,057,008 MWh.

In 2014, the export on the Italian border was 5.6 percent higher than in 2013, the import, however, was in negligible quantity and amounted to 543,711 MWh only in the same period.

Table 6 in the continuation presents the data on recorded closed contracts concerning electricity export and import in 2014 by border.

Table 6: Recorded closed contracts by borders for import and export of electricity in 2014 in MWh

Border	AUSTRIA		ITALY		CROATIA		
	Export	Import	Export	Import	Export from NPP	Import	Export of NPP
January	160,269	449,572	388,668	11,206	587,557	403,502	258,648
February	283,561	350,923	413,025	4,273	415,333	509,109	232,986
March	187,945	470,879	411,848	8,898	561,959	347,461	258,513
April	69,785	356,258	213,987	72,255	624,257	201,843	249,836
May	115,396	446,648	221,106	24,211	695,609	212,564	257,405
June	41,367	518,214	229,722	51,366	699,544	175,348	246,499
July	27,197	450,377	281,562	103,699	619,703	191,498	255,128
August	62,284	429,295	213,585	101,207	667,692	167,792	255,314
September	113,328	435,174	317,002	24,437	566,082	295,597	248,649
October	24,508	494,322	460,156	79,704	460,288	323,560	257,541
November	133,470	624,999	447,595	49,741	581,324	322,170	249,203
December	119,377	534,077	345,735	12,714	546,974	372,448	258,782
Total	1,338,487	5,560,738	3,943,991	543,711	7,026,322	3,522,892	3,028,504

2.2 Imbalance settlement

The report covers the billing period in 2014 that contains concluded imbalance settlement from January to end of December. The results are presented by the text and pictures in the continuation.

Figure 6: Average daily values of derived imbalance prices C+ and C- and the SIPX index in 2014



January to December, the movement of the price of imbalances was mainly marked by slightly higher values towards the end of the year, especially in October. In the first half of the year, C+ and C- prices practically equated with the SIPX index, which can be attributed to the start of operations of the INC (Imbalance Netting Cooperation) between the Slovene and

Austrian transmission systems. In the second half of 2014, in October, November and December and partly also in July the impact of the INC decreased slightly. The INC represents the exchange of imbalances of the systems in order to reduce the application of the secondary regulation.

Thus, from January to the end of December, the average value of the derived price for positive imbalances C+ was 41.63 EUR/MWh and for negative imbalances C- 40.71 EUR/MWh. Within this period, the highest price value for C+ was 381.71 EUR/MWh and the lowest was C+ -38.78 EUR/MWh. The highest price C+ was established on 14 October in the 15th hourly block, and the lowest on 23 December in the 5th hourly block. The highest price value of C- was 381.71 EUR/MWh on 14 October in 15th hourly block whereas the lowest price value was -38.78 EUR/MWh on 23 December in 5th hourly block.

According to the Rules for the operation of the organised electricity market, the SIPX index is applied to calculate basic prices for C+ and C- imbalances and consequently also for the calculation of the C+ and C- derived imbalance prices. In this period, the average value of the SIPX index equalled 40.43 EUR/MWh. The SIPX value was the highest on 10 November in the 18th hourly block and amounted to 145.03 EUR/MWh

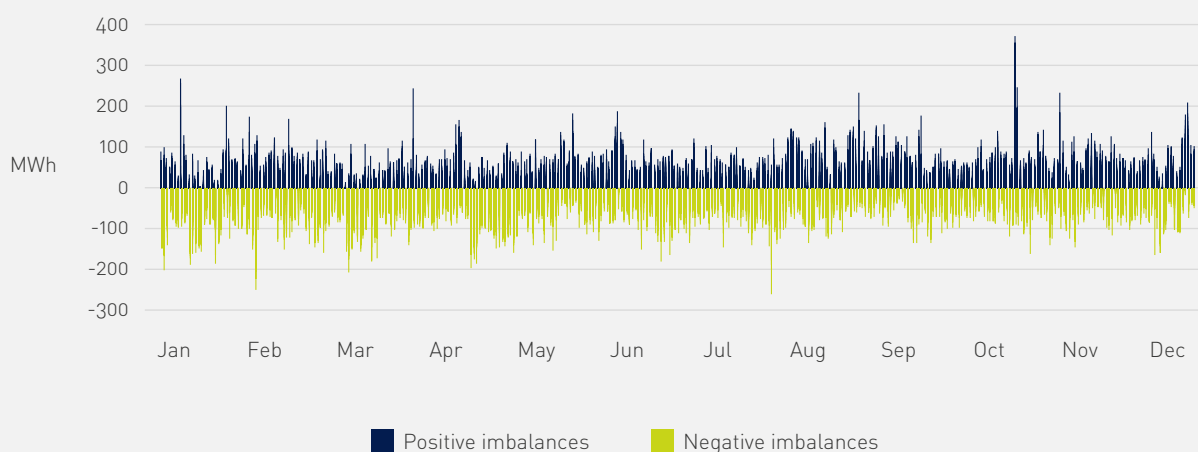
whereas it was the lowest on 17th August in the 17th hourly block and equalled 0.10 EUR/MWh.

On average, the C+ value was 1.2 EUR/MWh higher than the SIPX index whereas the C- value was, on average, EUR 0.28 higher than the SIPX index.

The prices for positive and negative imbalances are defined on the basis of the costs arising from the settlement of imbalances of the electricity system and are the result of the deviations of the market participants from their forecasts. Figure 7 shows the total positive and negative imbalances of all Balance Groups in Slovenia in 2014.

Imbalances in a positive direction reflect a shortage of electricity in the power system, and imbalances in a negative direction reflect a surplus of electricity in the Slovenian electricity system.

Figure 7: Imbalances in the Slovenian network in 2014 [MWh]



Balancing energy for the settlement of positive and negative imbalances in the electricity system of Slovenia is provided by the Transmission System Operator, ELES. In 2014, a total of 231,830.46 MWh was used for the settlement of positive imbalances and 292,513.34 MWh for negative imbalances. Figure 7 shows average monthly values of the regulation costs by month from January to the end of the year. The costs include the secondary and tertiary regulation costs, the energy from the balancing market and the energy from the INC.

The INC represents the exchange of imbalances of the systems in order to reduce the application of the secondary regulation. Within the INC, the imbalances in the Slovenian and Austrian

systems are compared at any time and then the imbalances in various directions are netted. The INC has been in use from 14 May 2013 onwards and had positive effects on total costs of imbalances in 2014 as the balancing energy from the INC has been extremely favourable.

Below, Table 7 presents the INC+ and INC- in 2013 and 2014. The first column displays the values in the intervals in which an energy shortfall occurred in the Slovene energy system and the INC function was activated, whereas the second shows the values in the intervals in which an energy surplus occurred in the Slovene energy system and the INC function was activated.

Table 7: Quantities of the INC in MWh in 2014

Year	INC+ [MWh]	INC- [MWh]
2013 (May – December)	25,491	47,458
2014	41,457	69,909

Figure 8: Average monthly values of the regulation costs (S+ and S-) in 2014

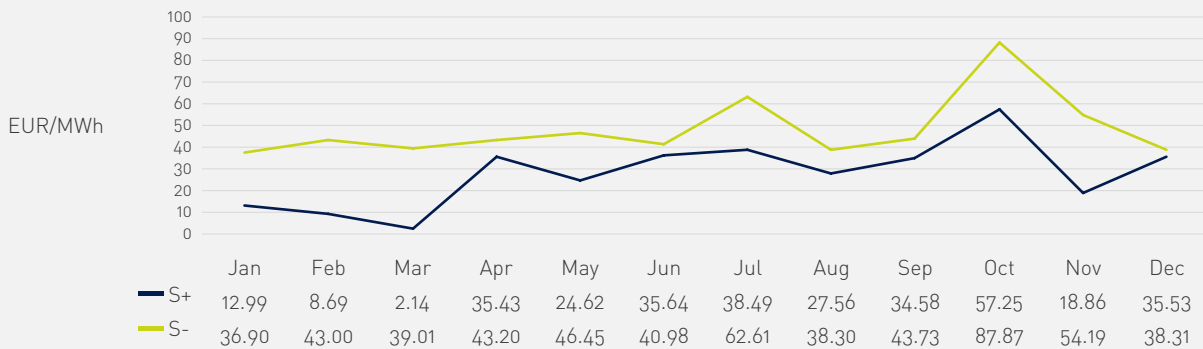


Table 8 presents the quantities of positive and negative imbalances of all balance groups on the electricity market from 2010 onwards.

Table 8: Total positive and negative imbalances of balance groups (BG) in 2010, 2011, 2012, 2013 and 2014

	Total positive imbalances of BG [MWh]	Total negative imbalances of BG [MWh]
2010	326,710	-424,619
2011	326,247	-398,217
2012	314,933	-437,407
2013	301,776	-397,808
2014	307,168	-367,965

ANNUAL RECALCULATION

Since the imbalance settlement applies the so-called analytical procedure to determine the realisation of delivery points without the execution of measurements in each quarter of an hour, their consumption is estimated based on the remaining consumption of the area. The differences thus generated among quantities acquired on the basis of the analytical procedure and the actual realised quantities are recalculated within the annual recalculation.

In 2014, annual recalculation was made for 2013. Redistribution of differences between balance groups is made on the basis of calculated differences and average annual prices that equals the annual average C+ and C- and amounted to 46.00 EUR/MWh. Within the 2013 annual recalculation 18,924 MWh of electricity was redistributed totalling EUR 870,495.

VALUE OVERVIEW OF IMBALANCE SETTLEMENT IN 2013

The Energy Agency is responsible for the identification and distribution of surplus in accordance with Article 106 of the Energy Act (EZ-1). The Agency decided in 2014 to carry out the distribution of the surplus of EUR 813,364.90 from 2013 to balance groups that had participated in the imbalance settlement in the accounting year concerned.

2.3 Balance scheme

Organised electricity market is hierarchically arranged into a Balance Scheme. Any legal or natural person that wishes to operate on electricity market actively must become a member of the Balance Scheme. Membership and structure of the Balance Scheme are defined with the balancing agreements, concluded with the Power Market Operator, and with compensation agreements concluded with Balance Scheme members. Power market operator, which represents the peak of the Balance Scheme, provides balancing energy delivery to the balance groups through balancing agreements. Transmission system operator physically implements the balancing of the electric power system Power Market Operator is responsible for keeping, updating, and publishing the record of balance scheme membership contracts on its website.

2014 was rather dynamic regarding the management of the balance scheme as 11 new members joined it, 4 of which were domestic and 7 foreign. In the same period, 8 members of the Balance Scheme withdrew from the Scheme, 1 domestic and 7 foreign companies. In addition to entries and withdrawals in 2014 there were also transitions between balance groups

or balance subgroups. The first transition was due to the termination of the balance contract with the conclusion of a compensation agreement and other two due to the expiry of the compensation agreement and the conclusion of a new compensation agreement. Compared to the previous year, the number of the Balance Scheme members increased by 3. New entries to the Balance Scheme in 2014 were: Green Network Trading UK Plc, GDF SUEZ Energia Holding Hungary Zrt., HEP d.d., VERBUND Trading GmbH, UNITRADING ENERGIA S.R.L., GEOPLIN d.o.o. Ljubljana, Ekologické Zdroje Energie s.r.o., EPS TRGOVANJE, d.o.o., AYEN ENERGIJA d.o.o., ILLUMIA TREND S.R.L., ENERGENTI PLUS d.o.o. The following companies withdrew from the Balance Scheme: C & G d.o.o. Ljubljana, DB Energy Commodities Limited, VERBUND AG, ENOI POWER SA, RD CZ Energy s.r.o., GDF SUEZ Energia Magyarország Zrt., GDF SUEZ Energia Holding Hungary Zrt., Merrill Lynch Commodities (Europe) Limited. In total there were 57 registered Balance Groups (20 foreign and 37 Slovenian companies) and 20 Balance Subgroups (15 Slovene and 5 foreign companies) as of 31 December 2014.

Figure 9: Number of Balance Groups and Balance Subgroups as of 31 December 2014

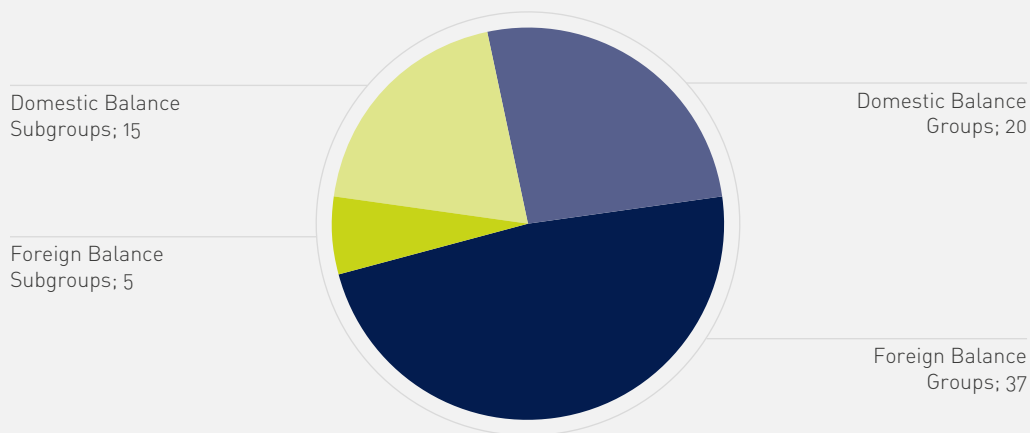


Table 9: List of balance groups and subgroups as of 31 December 2014

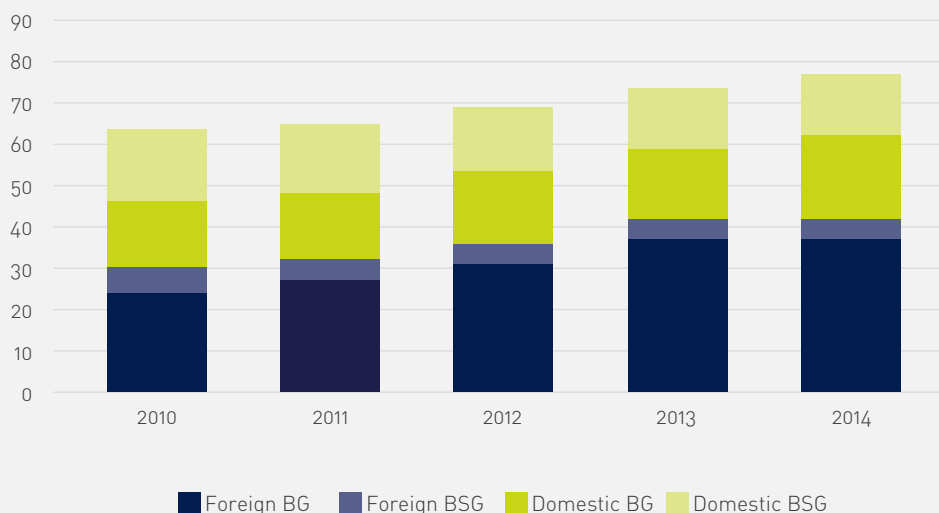
No.	Balance Groups	Balance Subgroups	Balance Subgroups
1	A2A Trading S.r.l.		
2	ALPIQ ENERGY SE		
3	Axpo Trading AG		
4	AYEN ENERGIJA d.o.o.		
5	B.E.K. GROUP s.r.o.		
6	Borzen, d.o.o. – Centre for Support (Eko Group)		
7	BSP d.o.o.		
8	Compagnie Nationale du Rhone		
9	DANS ENERGY OOD		
10	Danske Commodities A/S		
11	DufEnergy Trading SA		
12	e&t Energiehandelsgesellschaft m.b.H		
13	Edelweiss Energia S.p.A.		
14	EDF Trading Limited		
15	Edison Trading S.p.A.		
16	Ekologické Zdroje Energie s.r.o.		
17	Electrade S.p.A		
18	ELEKTRIČNI FINANČNI TIM d.o.o.	Energy Financing Team (Switzerland) AG	
19	ELEKTRO ENERGIJA d.o.o.	SODO d.o.o., (d.o. Elektro Ljubljana)	
20	ELEKTRO PRODAJA E.U. d.o.o.		
21	ELES, d.o.o., Ljubljana		
22	ENEL TRADE S.p.A.		
23	ENERGENTI PLUS d.o.o.		
24	ENERGETIKA LJUBLJANA, d.o.o.		
25	Energi Danmark A/S		
26	Energieallianz Austria GmbH		
27	ENERGIJA NATURALIS INT d.o.o.		
28	EPS TRGOVANJE, d.o.o.		
29	Europe Energy S.p.A.		
30	Ezpada s.r.o.		
31	Gala S.p.A.		
32	Gazprom Marketing & Trading Limited		
33	GEN-I, d.o.o.	GEN energija d.o.o. GORENJSKE ELEKTRARNE, d.o.o. GORENJSKE ELEKTRARNE, d.o.o.	

No.	Balance Groups	Balance Subgroups	Balance Subgroups
34	GEOPLIN d.o.o. Ljubljana		
35	Green Network Trading UK Plc		
36	Gunvor International B.V.		
37	HEP-Trgovina d.o.o.		
38	HEP d.d.		
39	HOLDING SLOVENSKE ELEKTRARNE d.o.o.	E 3, d.o.o.	
		ELEKTRO CELJE ENERGIJA d.o.o.	SODO d. o. o. (d.o. Elektro Celje)
		ELEKTRO GORENJSKA PRODAJA d.o.o.	SODO d. o. o. (d.o. Elektro Gorenjska)
		ENERGIJA PLUS d.o.o.	SODO d. o. o. (d.o. Elektro Maribor)
		SODO d. o. o. (d. o. Elektro Primorska)	
		Petrol Energetika, d.o.o.	ACRONI, d.o.o.
		TALUM d.d. Kidričevo	
40	ILLUMIA TREND S.R.L.		
41	Interenergo d.o.o.		
42	JAS Budapest Zrt.	JAS Energy Trading s.r.o.	
43	Morgan Stanley Capital Group Energy Europe Limited, trgovanje z energijo		
44	MVM Partner Energiakereskedelmi Zrt.		
45	Energi Danmark A/S		
46	PETROL d.d., Ljubljana	Eltec Petrol d.o.o.	
47	Proenergy d.o.o.*		
48	REPOWER Trading Češka republika s.r.o.	Rezia Energia Italia S.p.A.	
49	RWE Supply & Trading GmbH		
50	SODO d.o.o.		
51	Statkraft Markets GmbH		
52	TEI Deutschland GmbH		
53	UNITRADING ENERGIA S.R.L.		
54	Vattenfall Energy Trading GmbH		
55	VERBUND Trading GmbH		
56	Virtuse Energija d.o.o.	Virtuse Energy sp. z o.o.	
		Virtuse Wealth Management, a. s.	
57	Vitol Gas & Power B.V.		

*Temporarily excluded from 31 October 2014 onwards.

The number of members on the Slovene power market has been steadily increasing in recent years as is evident from the table below. There is a trend of the increasing number of foreign companies on the Slovenian market, which increased from 30 entities in 2010 to 42 entities in 2014.

Figure 10: Number of foreign and domestic Balance Groups (BG) and Balance Subgroups (BSG) from 2010 to 2014



2.4 Financial Settlement of Imbalances

As the clearing agent, Borzen provides financial settlement of liabilities arising from imbalance settlement of financial settlement participants. All final imbalance settlements of an individual Balance Group in a specific time period are the subject of the financial settlement.

The following table presents the values of financial settlement of imbalances for 2014.

Table 10: Value overview of imbalance settlement in 2014

In EUR excluding VAT

Month	Imbalance Settlement	Costs of Balancing	Surplus
January	-442,213	952,892	510,679
February	-402,690	834,967	432,277
March	-608,914	1,032,212	423,298
April	-372,787	676,989	304,202
May	-297,198	521,295	224,097
June	33,471	7,545	41,016
July	-356,778	681,327	324,549
August	320,121	-238,389	81,732
September	794,251	-600,336	193,914
October	1,088,152	-956,104	132,048
November	273,107	483,585	756,692
December	351,712	-315,794	35,918
Total	380,234	3,080,189	3,460,423

An Imbalance Settlement item represents the netted value of a final imbalance settlement of balance groups by individual months. Costs or revenues of balancing occur by purchasing or selling electricity for the purposes of balancing imbalances of the electricity system in the Republic of Slovenia. Financial settlement of balancing costs is conducted between the Transmission System Operator and Market Operator. In the table above, the negative values represent outflow and positive values represent inflow for Borzen.

The surpluses of revenues over expenditures arising from the imbalance settlement are intended for risk management in

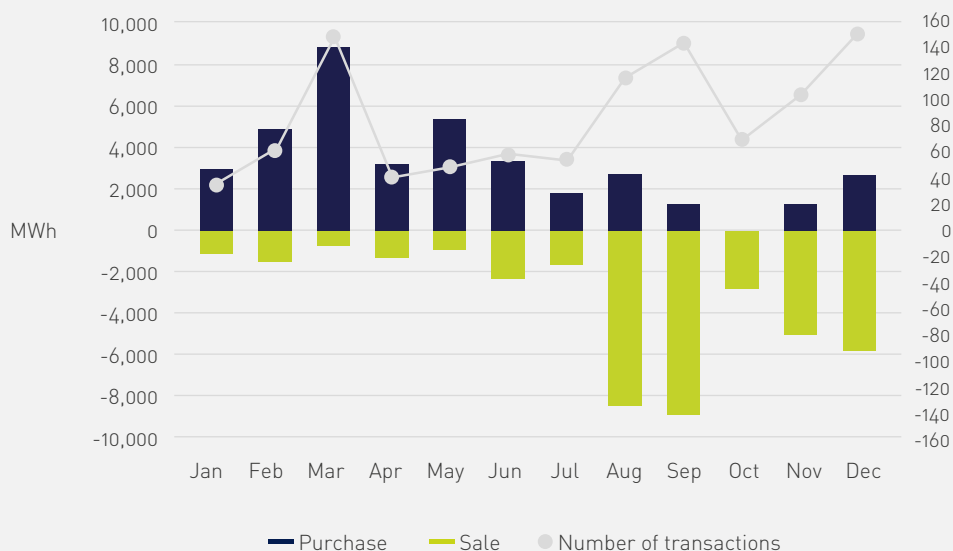
case of non-fulfilment of financial liabilities or late payments and are administered on a separate account for booking imbalance settlement surpluses. The surpluses of the imbalance settlement for 2014 amounted to EUR 3,460,423. In accordance with the Rules for the operation of the organised electricity market and the instructions of the Energy Agency a portion of surpluses will be reallocated to the participants of the imbalance settlement during 2015. The surplus of the imbalance settlement for 2012, EUR 1,216,681 has still not been allocated. Total surpluses arising from the imbalance settlement amounted to EUR 4,677,104 at the end of the financial year.

2.5 Balancing market

On the energy balancing market which has been in operation since October 2012, 954 transactions were concluded in 2014 totalling 78,975.5 MWh of electricity. 40,745 MWh of electricity represented the purchase of balancing energy, and 38,230.5 MWh the sale of balancing energy by the Transmission System Operator (ELES). The highest volume of transactions was concluded concerning block products of total quantity of 52,955 MWh, and most transactions, 494 in total, were concluded concerning hourly products. In comparison with the previous year, the volume of transactions increased by 18.8% whereas the number of transactions increased by as many as 74.7 percent. As shown in the chart below, the System Operator mainly acted as a seller of balancing energy

in the first half of 2014 and as the buyer of balancing energy in the second half of the year. Most balancing energy was sold in March, namely 8,843 MWh, whereas the purchase of balancing energy reached its peak in September when it totalled 8,894.5 MWh. The highest price in the sale of balancing energy amounted to 85 EUR/MWh, and the lowest price was -35 EUR/MWh. The highest price in the purchase of balancing energy amounted to 160 EUR/MWh, and the lowest price was 0 EUR/MWh. 8 members were involved in transactions concluded on the balancing market in addition to the System Operator. As at 31 December 2014 there were 40 members on the balancing market.

Figure 11: Quantity of concluded transactions on the electricity balancing market in 2014



The number of transactions on the balancing market in 2014 increased by as many as 74 percent compared to the previous year.



“ **HAND-IN-HAND WITH
SUSTAINABLE ENERGY**

Sustainable energy is the energy which we need to meet our needs today without influencing the needs of the generations to come. The sources of sustainable energy include all types of renewable energy sources and usually also the technologies which improve energy efficiency.

Borzen promotes the use of sustainable energy, raises awareness and informs in the field of efficient energy use and renewable energy sources. ”

3. CENTRE FOR SUPPORT

3.1 System of support

In accordance with the Energy Act, the Centre for Support is the support scheme operator for generation of electricity that is environmentally friendly. Support schemes are an instrument of state aid (subsidies) approved by the European Union that enables, with a higher purchase price of electricity, the implementation of investments in renewable energy sources (RES) and highly efficient cogeneration of heat and electricity (CHP) necessary to achieve national goals concerning the share of use of renewable sources in total energy consumption.

BENEFICIARIES OF SUPPORT

The entry into the system of support (the so-called new support scheme) is enabled to RES and CHP production units that are divided into micro and small (<1 MW) and others. Only production units not older than 10 years (high-efficiency cogeneration – CHP) or 15 years (renewable energy sources – RES) can enter the new support system. If the production unit is older than 10 (CHP) or 15 years (RES) but has undergone reconditioning or reconstruction during this time, an application for a Decision on the provision of support can still be submitted to the Energy Agency of the RS, which then assesses whether the reconstruction met the conditions of the relevant regulations and if the production unit can re-enter the support system as a »reconditioned production unit«. The amended Energy Act EZ-1 is introducing a change on the basis of which the entry into the scheme will be linked to a tender published by the Energy Agency. The transitional period of the entry under the old conditions was applicable until September 2014.

TYPES OF SUPPORT

CHP production units with less than 1MW and RES production units with less than 5MW can choose between two types of support – guaranteed purchase and operating support. Larger production units can only receive operating support and are not entitled to guaranteed purchase. For CHP production units the support is limited to those that are not more than 10 years old and for RES production units this limit is 15 years.

Guaranteed purchase of electricity: Guaranteed purchase means that Support Centre receives electricity and pays the price defined in the decision. The production unit is included in a special Balance Group or Subgroup established by the Centre for RES/CHP Support ("Eco Group"). The Centre for

RES/CHP Support settles the differences between forecasted and realised production (e.g. coverage of "imbalances") for units with this support type.

Operating support (or "financial support for the current business"): Operating support (or "financial support for the current business"): Operational support means that the Support Centre does not assume and does not pay for electricity but on the basis of produced net quantities of electricity pays only the operational support aimed to compensate the production unit for the difference between production costs and the market price which the unit acquires on the open market. Production units receiving this type of support have to arrange the settlement of differences between the announced and realised production and the balancing affiliation on their own behalf, or this can be done by the supplier with whom they concluded an open contract for the sale of electricity.

Compared to 2013, there were no considerable changes regarding the shares of production and payments. Total quantity of electricity produced in 2014 still failed to reach the 2011 level (smaller production (lower production of electricity from RES and CHP was mainly the consequence of outage in the generation units of the old Support Scheme that was closed at the end of 2011 - the old Support Scheme involved many hydro power plants that operated in the Scheme with low average support).

3.2 Support scheme for electricity production from renewable energy sources and cogeneration of heat and power

At the end of 2014, the Support Scheme involved 3,767 power plants with total power of 516 MW representing approximately 15 percent of capacities installed in the Republic of Slovenia.

3.2.1 Power plants in the systems of support

At the end of 2014, the support scheme contained 3,767 power plants with a total power of 516 MW representing approximately 15 percent of installed capacities⁴ in the Republic of Slovenia.

The share of units in the new support scheme that independently sell electricity on the market (and thus receive support in the form of operational support) increased compared to 2013.

At the end of 2013, it accounted for 65 percent and at the end of 2014 a bit less than 68 percent. The situation in 2014 can be better demonstrated by an information that 88 percent of all the units that had entered the support scheme in the particular year choose operating support as support type. This is the consequence of favourable conditions at the time of the purchase of electricity on the market.

Table 11: Power plants in the new system of support – as at 31 December 2014

Source according to the new system	Power in kW	Number
Biogas from waste - up to 1 MW	2,194	3
Biogas from biomass - up to 1 MW	17,441	20
Biogas from biomass above - 1 and up to 10MW	8,552	2
Hydro power plants - up to 50 kW	732,6	31
Hydro power plants - above 50 kW up to 1 MW	17,746	62
Hydro power plants - above 1 MW up to 10 MW	8,445	5
Landfill gas - up to 1 MW	1,402	3
Landfill gas above - 1MW up to 10MW	4,371	2
Wind power plants -- up to 50 kW	173,4	7
Wind power plants - above 50kW up to 1 MW	910	1
Windpower plants - above 1 MW and up to 10 MW	2,300	1
Solar power plants(on buildings) up to 50kW	87,277	2,727
Solar power plants(on buildings) above 50kW up to 1 MW	141,921	519
Solar power plants (other) - up to 50kW	833,37	38
Solar power plants (others) - above 50kW up to 1 MW	22,590	38
CHP using fossil fuel up to 4000 hours - up to 50kW	7,659	225
CHP using fossil fuel up to 4000 hours - above 50 kW up to 1 MW	16,425	34
CHP using fossil fuel above 4000 hours -above 1MW up to 5 MW	19,243	8
CHP using fossil fuel above 4000 hours - above 5MW up to 25 MW	17,338	2
CHP using fossil fuel above 4000 hours - above 50 kW up to 1MW	4,935	7
CHP using fossil fuel above 4000 hours - above 1MW up to 5 MW	6,208	2
CHP using fossil fuel above 4000 hours - up to 50kW	229,8	7
CHP using wood biomass above 4000 hours - up to 50kW	226,5	6
CHP using wood biomass up to 4000 hours - above 50kW and up to 1MW	500	1
CHP using wood biomass up to 4000 hours - above 50kW and up to 1MW	722	2
Power plants using wood biomass - above 50 kW up to 1 MW	4,595	8
Power plants using wood biomass above -1 MW up to 10 MW	6,150	1
Co-firing of wood biomass >5% - above 1MW up to 10 MW	113,000	1
Power plant using biogas from wastewater treatment plants sludge - above 50 kW up to 1 MW	968	2
Individual treatment	979	2
Total	516,067	3,767

⁴According to the data provided by the Energy Agency of the Republic of Slovenia (Report on the Energy Sector in Slovenia in 2010) the installed capacity at the power plant threshold amounted to 3,363 MW.

3.2.2. Eco decision / Eco contract

On the basis of the provisions in the Amendment to the Energy Act EZ-D, electricity producers of new production units from renewable sources with a nominal capacity of 5 MW and new micro and small production units with high-efficiency co-generation which do not have any balancing affiliation and have no concluded Open Contract and submit an application to obtain the so called eco decision can sell electricity produced to the Centre for RES/CHP Support at the reference market price.

The adoption of the EZ-1 amends the EZ-D provisions by changing the power to 1 MW and prolonging the duration to

12 months at most (before it was 8 months). The terminology also changed, namely the eco decision was renamed to eco contract.

In 2014, 16 eco contracts and 1 eco decision were issued, which is considerably less than in 2013 when 40 eco decisions were issued. This was the result of the decreasing number of investments made in renewable energy sources witnessed last year.

Table 12: Issue of Eco decisions and eco contracts in 2014

Type of power plant	Number	Power in kW
Solar power plant	1	10
Wood biomass	1	90
Cogeneration of heat and power ⁵	15	1,539
Total	17	1,639

⁵One plant has nominal power of 999kW; the other 14 are of less than 50 kW.

3.2.3 Payments of support

The trend of increasing payments of support continued also in 2014. From the comparison of payments and produced electricity in the Support Scheme, it follows that the power generation in 2014 was 13 percent higher than in 2013 and the payments increased by 10 percent. Total quantity of electricity produced in 2014 still failed to reach the 2011 level (smaller production (lower production of electricity from RES and CHP was mainly the consequence of outage in the generation units of the old Support Scheme that was closed at the end of 2011 - the old Support Scheme involved many hydro power plants that operated in the Scheme with low average support).

Production that enjoys one of the two forms of support accounts for approximately 7 percent of Slovene annual consumption ⁶

A trend in the increase of payments of supports also continued in 2014, when 10 percent more supports were paid than in the previous year. An average support decreased to 144.42 EUR/MWh (in 2013: 147.61 EUR/MWh). One of the reasons for the decrease of an average support is the above-average hydrologic year 2014. The quantity of production that receives one type of support represents little less than 7 percent of Slovene consumption.

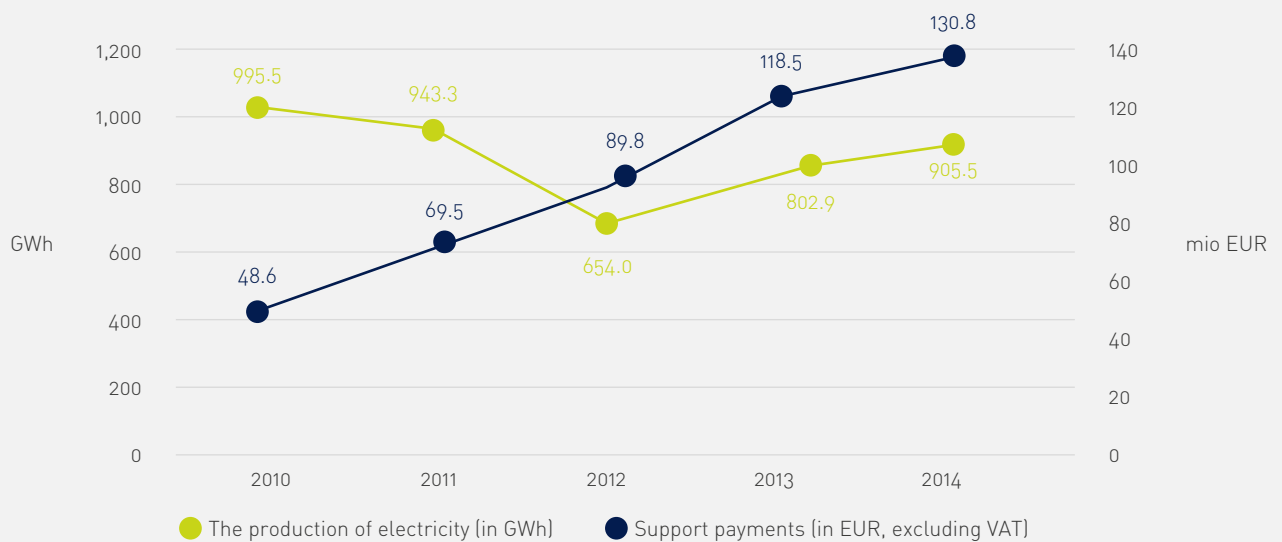
Table 13: Payments of support from 2010 to 2014⁷

Year	2010	2011	2012	2013	2014
Quantity of electricity (in kWh);	995,508,812	943,253,650	653,969,311	802,889,085	905,915,725
Payment of support acc. to contracts (in EUR excluding VAT)	48,588,434	69,505,462	89,777,431	118,515,291	130,833,782
Average support (in EUR/kWh)	0.04881	0.07369	0.13728	0.14761	0.14442

⁶According to the data provided by the Energy Agency of the Republic of Slovenia (Report on the Energy Sector in Slovenia in 2010) the installed capacity at the power plant threshold amounted to 12,159 MW.

⁷Data for 2014 as at 20 February 2015

Figure 12: Production and payments by year



Based on the share of generated electricity, CHP generating plants using fossil fuels (30 percent) and solar power plants (28 percent) stand out in 2014. Whereas according to the share of paid support solar power plants stand out with a 50 percent. The average support calculated in EUR/kWh is worth mentioning which equals 0.25578 EUR/kWh for solar plants in 2014 whereas for hydro power plants the average support is

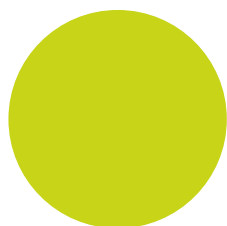
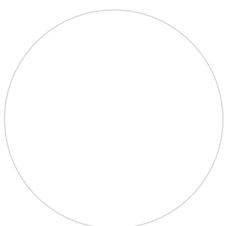
considerably lower and amounts to 0.060 EUR/kWh. It is also interesting that the average support for solar power plants in 2013 amounted EUR 0.26987 EUR/kWh whereas a year earlier, in 2012, it amounted to 0.31502 EUR/kWh. The average support for solar power plant has therefore decreased, yet it is still much higher than other types of power plants.

Table 14: Support in 2014⁸

Unit type	Support (EUR)	Produced electricity (kWh)	Share of support (%)	Share of energy (%)
Biogas power plants (BP, OP codes)	15,854,506	125,556,980	12.11 %	13.84 %
Biomass power plants (SL, LB codes)	13,981,279	99,957,117	10.68 %	11.02 %
Geothermal power plants	0	0	0.00 %	0.00 %
Hydro power plants (HE codes)	9,431,693	156,736,670	7.24 %	17.41 %
Solar power plants (SE codes)	62,575,129	244,645,458	47.81 %	26.97 %
CHP using fossil fuels (SF codes)	27,705,157	270,913,376	21.17 %	29.86 %
Wind power plants (VE codes)	255,613	4,208,613	0.20 %	0.46 %
Other	1,030,406	3,897,511	0.79 %	0.43 %
Total	130,833,782	905,915,725	100 %	100 %

Compared to 2013, no substantial change in terms of proportions of production and payments has been recorded.

⁸Data for 2014, as at 20 February 2015



The downward trend in the proportion of paid support for biogas plants deserves special mention; it actually decreased to 12 percent - in 2013 this proportion was 14 percent and the year before even 20 percent. The decline is due to recurring

problems of biogas plants as well as the increase of all other plants while the entry of new biogas plants has not been recorded.

Table 15: Comparison of payments by type of units between 2014⁶ and 2013

Unit type	Support share in 2014	Support share in 2013	Difference in share in % (%t)	Energy share in 2014	Energy share in 2013	Difference in energy in % (%t)
Biogas power plants (BP, OP codes)	12.11 %	13.78 %	-1.66 %	13.84 %	16.47 %	-2.62 %
Biomass power plants (SL, LB codes)	10.68 %	9.28 %	1.41 %	11.02 %	10.84 %	0.18 %
Geothermal power plants	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Hydro power plants (HE codes)	7.24 %	6.32 %	0.92 %	17.41 %	16.36 %	1.05 %
Solar power plants (SE codes)	47.81 %	49.98 %	-2.17 %	26.97 %	27.34 %	-0.37 %
CHP using fossil fuels (SF codes)	21.17 %	20.35 %	0.82 %	29.86 %	28.62 %	1.25 %
Wind farms (VE codes)	0.20 %	0.09 %	0.10 %	0.46 %	0.25 %	0.21 %
Other	0.79 %	0.21 %	0.58 %	0.43 %	0.12 %	0.31 %

Because of estimated deficit in the Support Scheme, the Centre for Support limited the payments with the decision adopted on 19 April 2014 (for power plants of 50kW or more) to maximum 15 percent with regard to annual forecast quantities.

As a part of a comprehensive control of the scheme payments by the Centre for Support, which is regularly carried out, in 2014 we further introduced systematic monitoring of weather indices with respect to prior periods and the long-

term average. In addition to the monthly examination of trends in disbursements by using sample checks D-1 (the measurement for the day back) and regular financial reviews and recalculations, this is an additional piece in the mosaic of a more systematic monitoring of payments of the Centre for support. The following parameters are monitored: temperature, solar radiation, rainfall, hydrology. The data are obtained from the database of the Slovenian Environment Agency.

3.3 Financial data of the Centre for Support

The contributions are paid into a special account of the Centre for RES/CHP Support and used for the provision of support, the operation of the Centre for RES/CHP Support and other purposes stipulated by law.

The table below shows the revenues and expenses of the Centre for Support in 2014, namely the realised values in 2013 compared to realised values in 2014 (as at 20 March 2015).

Table 16: Overview of the Centre for RES/CHP Support's Inflows and Outflows in 2014

	Item	Realisation 2013	Realisation 2014
A	Opening balance	-687,825	2,630,704
1	Revenues	122,937,964	126,393,018
a	RES+CHP contribution	112,766,810	117,626,630
b	DES (domestic energy source) contribution	608,025	10,366
c	CS - sales EE	9,563,129	8,756,022
2	Expenses	119,619,435	131,869,501
a	RES+CHP support	118,679,784	130,994,930
b	DES support	0	0
c	Operation of the CS	591,000	591,000
d.	CS - purchase EE	348,651	283,572
3	Total (1-2)	3,318,529	-5,476,484
4	Total (A+3)	2,630,704	-2,845,780

The table shows that in 2014 the Centre for RES/CHP Support collected EUR 117.6 million net of RES/CHP contributions and EUR 10,366 net of contributions for the provision of secure energy supply with the use of domestic primary energy sources (DES contributions). In 2014 the DES activity was not carried out, therefore, the amount is linked to the recalculations which the Distribution System Operator (SODO) carries out for the previous periods. The contribution for RES and CHP also contains the assets from the contribution for final consumers of district heat and buyers of fossil fuels in the June - December 2014 period, namely of EUR 13.9 million net. The revenues of the Centre for Support also disclose received funds from the direct sale of electricity from the Eco balance group at auction and at the BSP regional energy exchange and the funds received from imbalance settlement totalling EUR 8.7 million net.

The payments of the RES and CHP support amount to EUR 130.9 million net. The expenses include the purchase of electricity from the Eco Group at the BSP Southpool, the costs

of imbalance settlement and the payments made under the Eco contracts (former eco decisions) totalling EUR 283,572. In accordance with the tariff of the Market Operator, the contribution for the Centre for Support operation in 2014 amounted to EUR 591,000 net.

After the new RES/CHP contribution for final consumers of district heat and buyers of fossil fuels was introduced in June 2014 which reduced the gap between the necessary and collected funds of the Support Scheme; however, with a delay. Consequently, a deficit of EUR 2.8 million was recorded at the end of the year.

Owing to the gap between the funds collected and the payments of support Borzen took out two short-term framework loans totalling EUR 16.5 million to bridge the liquidity problems based on the consent of the Partner and the implementation of a public tender procedure to take out a short-term loan to ensure the liquidity of the Support Scheme. Both loans were repaid in full at the end of 2014.

3.3.1 Support Scheme financing and contributions

The Support Scheme is financed by all the electricity consumers who are charged a contribution for ensuring supports for the production of electricity from high-efficiency cogeneration and from renewable energy sources in accordance with the legislation.

Contributions are charged monthly per unit of accounting power as a special item on the bill for the use of the network.

These are separate contributions and are not part of the price for the use of the network.

From June 2014 onwards, the suppliers of fossil fuels and district heat who charge contribution to final customers are also subject to billing and payment of contributions.

3.4 Management of the energy of the Balance Group within the Centre for Support

The Balance Group managed by the Centre for Support, the so-called Eco Group, includes power plants that sell electricity via the Centre for Support. The Eco Group include power plants that chose guaranteed purchase as the support type or power plants that have a valid Eco contact.

Compared to 2013, the number of power plants in the Eco Group in 2014 decreased by 15 to 1,215 units. In the same period, nominal power decreased by less than 5 percent and amounted to a bit more than 107 MW at the end of the year.

Last year, 14 micro units entered the Eco Group of which only one was a solar power plant. All the rest were CHP units. As already mentioned, the Eco Group recorded a higher number of withdrawals because many power plant owners opted to change the type of support from guaranteed purchase to operating support. Some additional power plants withdrew from the system of support due to old age. Some migration of power plants in the Eco Group occurred as a consequence of changes in power plant ownership. When the latter happened the Energy Agency with a Decision withdrew support from the old owner and some time later issued a new Decision to the new owner. In the period between the two Decisions such a power plant was not entitled to support and consequently was not in the Eco Group.

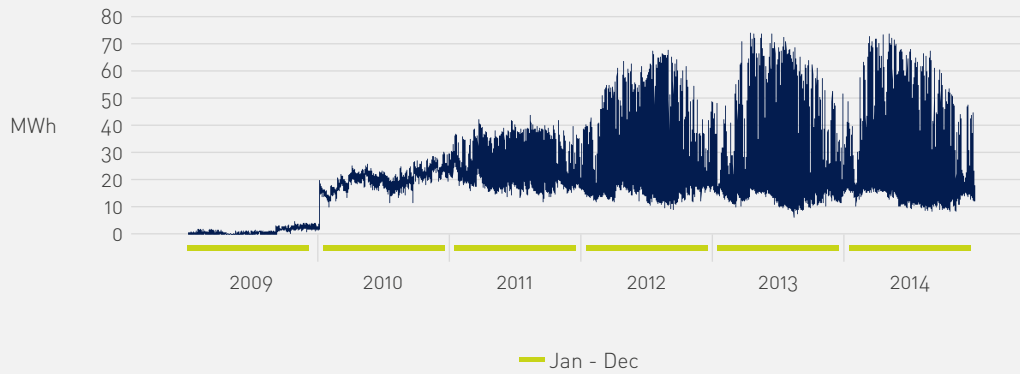
In 2014, for the first time since its establishment, production units in the Eco Group reduced in number and capacity. The trend of a declining number of new entries continued; only 14 new production units entered. On the other hand, 29 production units with the nominal capacity of 6 MW exited the Eco Group. Most of the exits were the result of changes in support type, other occurred due to the support contract expiry.

Table 17: Power plants in the Eco Group from 2009 to 2014

Type of power plant	As at 31.12.09		As at 31.12.10		As at 31.12.11		As at 31.12.12		As at 31.12.13		As at 31.12.14	
	Number	Sum of power (in kW)	Number	Sum of power (in kW)	Number	Sum of power (in kW)	Number	Sum of power (in kW)	Number	Sum of power (in kW)	Number	Sum of power (in kW)
Solar	36	1,219	371	27,015	755	65,353	1,126	85,891	1,141	85,531	1,111	81,403
Hydro energy	6	125	43	10,985	40	10,458	31	8,616	30	8,586	27	6,309
CHP	8	3,633	19	6,748	21	6,989	32	6,568	42	6,244	60	7,043
Biogas	2	1,970	12	15,544	12	11,416	12	11,416	10	9,182	10	9,182
Wind	3	20	3	20	4	24	5	74	5	73	5	73
Landfill gas	1	469	2	3,171	2	3,171	1	2,702	1	2,702	1	2,702
Biogas from wastewater treatment plants sludge	1	130	1	130	1	130	0	0	1	518	1	518
TOTAL	57	7,566	451	63,613	835	97,541	1,207	11,266	1,230	112,836	1,215	107,231

The graph below shows hourly generated electricity from power plants included in the Eco group from 1st of January 2009 to 31st of December 2014.

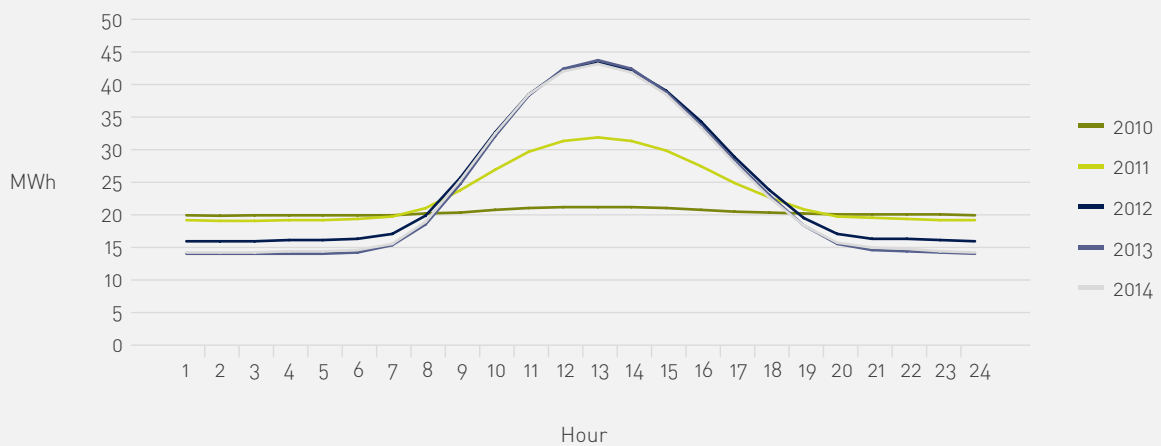
Figure 13: Hourly realisation of the Eco Group from 2009 to 2014



Compared to the previous year, there were only minor changes in the structure and number of the production units in 2014. As a result of a high share of solar power plants (more than 76 percent of the nominal capacity of all units) the production in peak hours remained significant despite poorer weather conditions in the summer and autumn months. This is clearly displayed in the diagram above (Figure 13). At the same time, a

notably volatile operation of the majority of larger biogas units in the Eco Group continued also in 2014. On the other hand, 2014 was an exceptional year in terms of output for small hydro power plants which benefited from very favourable hydrological conditions and maintained the overall production at almost the same level as in 2013 despite the withdrawal of some larger hydro units from the Eco Group.

Figure 14: Average daily profile – comparison of 2014 according to 2010 - 2013



In 2014, the realisation of produced electricity in the Eco Group was almost at the same level as in 2013. The financial income was 8 percent lower than in 2013. This was the result of the continuation of the bearish trend in electricity prices on the market in 2014. Electricity was on average sold at a price which was almost 4 EUR/MWh lower than in 2013. The average electricity price in 2013 amounted to 45.68 EUR/MWh. In 2014 it only reached the level of 41.78 EUR/MWh. The value of electricity sold by the Centre for Support would have been even lower had not a relatively high price been reached at the auction for electricity produced in 2014. The weighted average price of energy achieved at the auction amounted to 44.32 EUR/MWh. In contrast, the surpluses of electricity sold on the day ahead market at the BSP Energy Exchange amounted, on average, to only 41.00 EUR/MWh.

Due to risk mitigation the Centre for Support sells part of the electricity as a long-term arrangements, the rest is sold on the Day-ahead market, as already indicated in the previous paragraph. Long-term sale is carried out via auctions, whereas sales on the Day-ahead market are conducted at the BSP Energy Exchange. The auction for the electricity produced in 2014 was carried out on 12th of December 2013. All six lots of standard products offered (base load) were sold. One of the ten participating companies was successful. The auction for the electricity produced in 2015 was held on 11th of December 2014.

Table 18: Sale of energy in the Eco Group 2010 - 2014

Year	2010	2011	2012	2013	2014
Total (MWh)	176,902	201,482	212,840	201,955	202,401
Sales at auctions (MWh)	86,148	157,680	121,068	61,320	52,560
Sales at BSP (MWh)	34,962	35,533	82,493	142,521	151,656
Imbalances (MWh)	55,792	8,106	9,135	-1,902	-1,815
Recalculation of Imbalances (MWh)	0	163	144	16	n.a.
TOTAL (EUR)	7,316,267	10,485,337	11,650,539	9,224,396	8,455,617
Sales at auctions (MWh)	3,469,180	8,064,982	7,086,152	3,128,809	2,329,459
Sales at BSP (MWh)	1,726,573	2,253,515	4,478,469	6,256,903	6,217,367
Imbalance settlement (incl. Recalculation in EUR)	1,809,723	5,675	85,918	-178,903	-91,209
Refunding imbalance settlement surpluses	310,791	161,165	0	17,588	n.a.
Final agreed price (taking into account imbalances, EUR/MWh*)	41,36	52,04	54,74	45,68	41,78
Price achieved at auctions (EUR/MWh)	40,27	51,15	58,53	51,02	44,32
Weighted price of the sale at BSP (EUR//MWh)	49,38	63,42	54,29	43,90	41,00
BSP MAX (EUR /MWh*)	117,02	165,01	224,00	123,14	145,03
BSP MIN (EUR /MWh*)	4,76	0,00	0,00	0,00	0,10

*rounded to two decimal places

The majority of electricity from Eco group is generated in the power plants included in the Support Scheme. The power plants with Eco decisions (in 2014 a combination of Eco decisions and Eco contracts) produced 1,372 MWh in 2010, 9,705 MWh in 2011, 15,628 MWh in 2012, and 3,236 MWh in 2013, whereas in 2014 only 59 MWh was produced.

A new application for intermittent power generation forecasting was introduced in 2014. The latter is an important step towards the improvement of power generation forecasting accuracy, which is expected to gradually decrease Eco Group imbalance costs.

3.5. Other activities of the Centre for RES/CHP Support

3.5.1 Programmes of electricity saving

Also in 2014, Borzen collected and managed the funds for programmes for increasing the efficiency of energy use in accordance with the Regulation on energy savings ensured to final customers and the Decision on the financial settlement for the implementation of programmes for increasing the efficiency of energy use.

The Centre for RES/CHP Support collects information on supplied quantities of energy to final customers from all operators and providers. It also issues invoices to small operators and providers (who supply less than 300 GWh per annum) and submits the funds received to Eco Fund

while it only submits information regarding large operators and providers to Eco Fund in accordance with provisions of the Regulation until large operators and providers have no confirmed programmes. After the programme confirmation the Centre for Support collects funds in an amount confirmed with the programme for large operators and providers. In accordance with the approved financial dynamics and the programme implementation, big operators and suppliers are enabled to absorb these funds. The data on supplied quantities and collected contribution funds for 2014 are shown in the table below.

Table 19: Overview of supplied quantities and collected funds for programmes for increasing the efficiency of energy use (EEU)

2014	Small operators and providers		Large operators and providers				
	Period	Notified quantities (in kWh)	Collected funds (excluding VAT)	Notified quantities (in kWh)	Confirmed quantity programme (in kWh)	Approved programme (excl. VAT)	Absorbed funds (excluding VAT)
	January	18,579,028	9,290 €	13,251,414	821,913,097	410,957 €	- €
	February	17,709,025	8,855 €	89,488,634	691,790,013	345,895 €	- €
	March	18,826,556	9,413 €	136,377,998	610,181,608	305,091 €	- €
	April	17,281,167	8,641 €	131,361,893	666,666,562	333,333 €	127,490 €
	May	16,992,235	8,496 €	132,797,873	647,835,128	323,918 €	- €
	June	17,088,936	8,544 €	130,112,729	613,657,547	306,829 €	- €
	July	17,050,853	8,525 €	133,084,508	693,960,791	346,980 €	120,000 €
	August	14,893,569	7,447 €	127,212,906	610,843,802	305,422 €	318,726 €
	September	16,688,721	8,344 €	135,895,390	586,733,323	293,367 €	53,683 €
	October	18,487,195	9,244 €	139,129,136	715,244,896	357,622 €	438,664 €
	November	18,989,075	9,495 €	131,498,843	655,312,120	327,656 €	107,555 €
	December	18,287,322	9,172 €	134,509,482	700,490,408	350,527 €	251,847 €
	Total	210,873,682	105,466 €	1,434,720,806	8,014,629,295	4,007,597 €	1,417,965 €

3.5.2 Guarantees of Origin Registry

The guarantees of origin are electronic certificates that certify that a certain amount of energy was produced in a certain amount of time in a certain power plant in a way that is determined by the guarantee of origin of electricity.

The registry is computer support for the system of issuing the Guarantees of Origin of electricity. The users can gain, transfer, and redeem GOs in a transparent and simple manner using the World Wide Web. Different lists supported

by the GO Registry enable the permanent overview of users' accounts. Data can also be exported and freely processed using appropriate software.

The Energy Act stipulates that the Energy Agency of the RS is responsible for the issue of Guarantees of Origin for the whole of Slovenia. In accordance with the act, Borzen in its role as the Centre for RES/CHP Support is also responsible for the maintenance of a joint application support for registries that

are required for the implementation of the support system for the production of electricity from RES and CHP, which includes the Guarantees of Origin Registry.

The GoO Registry, which is an upgrade of the central guarantees of origin database, was established in cooperation with the Energy Agency of the RS. Borzen administers the application software, while the Energy Agency of the RS issues the guarantees of origin.

As at 31 December 2014, the Guarantees of Origin Registry included 138 users: the administrator account (Borzen), the

account of the issuer of Guarantees of Origin (Energy Agency of the RS), the Centre for RES/CHP Support account and 6 accounts of System Operators, 12 trading accounts and 114 producer accounts. A total of 191 production units were registered with a combined rated load of 1,106,934 kW, from which three were CHP and the rest RES.

In 2014, the issued Guarantees of Origin equalled 4,705,048 MWh (a bit less than 10 percent more than in 2013). A total of 2,295,494 MWh were transferred between user accounts, which is considerably less than in the same period in 2013.

Table 20: Activities in the Guarantees of Origin Registry in 2014

Energy Source	Issued (kWh)	Cancelled (kWh)	Imported (kWh)	Exported (kWh)	Transferred (kWh)
Renewable/solid/wood/forestry by-products and waste	2,524,000	2,478,000	/	/	2,524,000
Renewable/mechanical source or other/hydro and maritime	4,673,837,000	891,942,000	90,074,000	2,817,294,000	2,264,283,000
Fossil/gas/natural gas	28,687,000	28,687,000	/	/	28,687,000
Total	4,705,048,000	923,107,000	90,074,000	2,817,294,000	2,295,494,000

The data presented in Table 20 cover the issues and cancellations of all the existing types of Guarantees of Origin (national GO, EECS RECS, EECS GO) and all the existing forms of transfers (i.e. transfers among accounts in the registry and transactions via the AIB HUB⁹).

⁹AIB HUB is a special registry or interface managed by the "Association of Issuing Bodies" that enables international transfers among registries.

3.5.3 Information provision and the raising of public awareness of renewable energy sources and energy efficiency

In 2014, the tasks of the Centre for Support in the field of information provision and raising awareness of renewable energy sources and efficient energy use further strengthened in accordance with the new EZ-1.

We designed a new brand, Sustainable Energy, which combines and adequately communicates the renewable

energy sources and efficient energy use. The new brand was equipped with a logo which resembles and communicates sustainable and green energy as shown in the figure below. The creation and establishment of the UP brand is the consequence of our desire and idea to address a wider range of different consumers and to reasonably combine targeted communications to these consumers.

Figure 15: Logo of our brand, Sustainable Energy



The establishment of a web portal www.trajnostnaenergija.si is one of our major more visible projects of information provision and raising awareness of renewable energy sources and efficient energy use in 2014. The Sustainable Energy web portal represents an information centre, a point of contact to access the information on efficient energy use and renewable energy sources. With the portal we intend to gather good quality and professional information that will enable users to use energy in a more efficient way on the one hand and

upgrade their knowledge of renewable energy sources and their use on the other in an easy and transparent way and in one place. With the portal we wish to bring together various players, information and ideas in the field of sustainable energy and co-create socially responsible society. The responses to the portal which saw the light of day on 10 December are extremely positive and the visits to the website have exceeded expectations. We intend to maintain this by editing and constantly upgrading the portal.

Figure 16: Web portal www.trajnostnaenergija.si

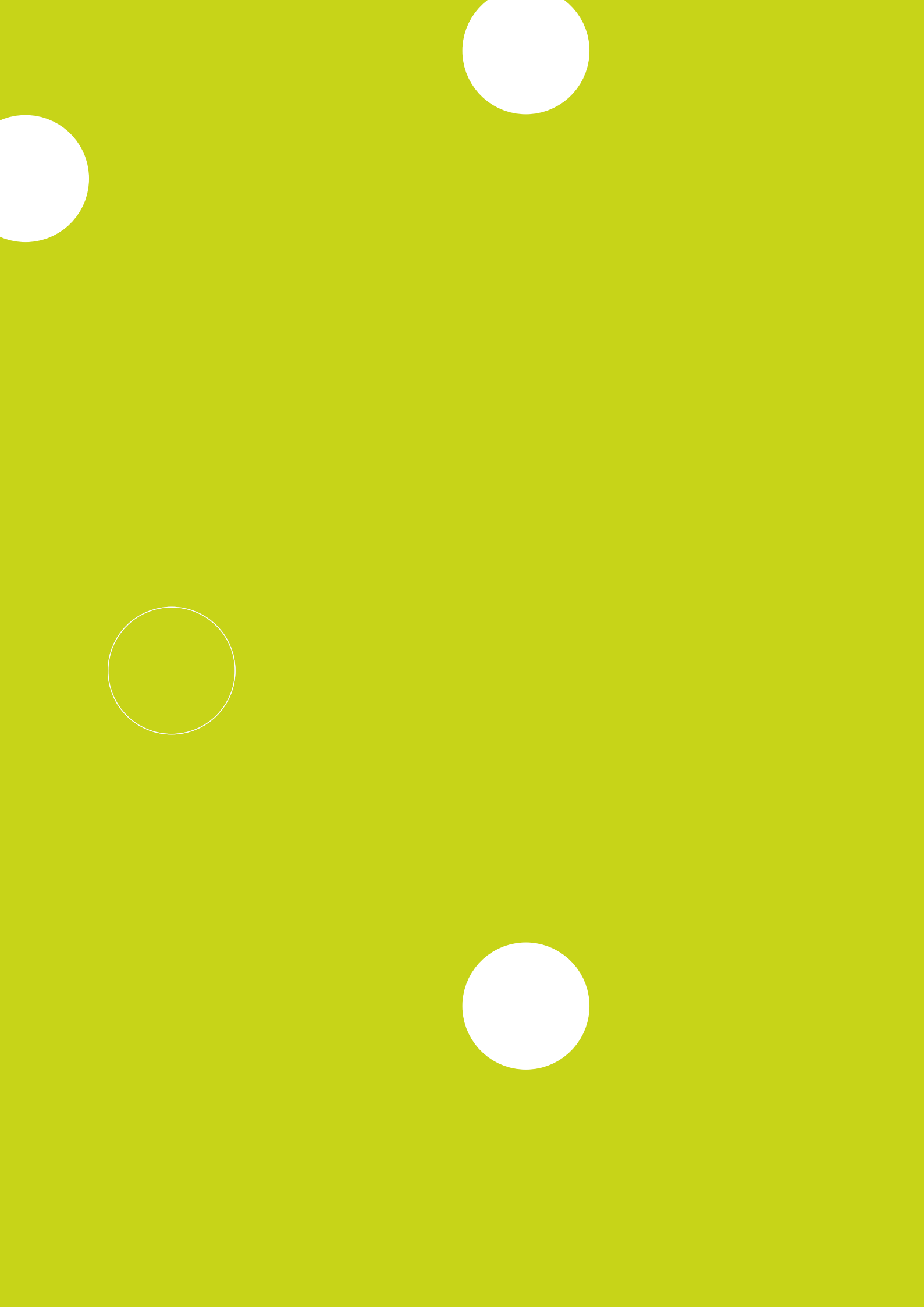


Sustainable energy is the energy which we need to meet our needs today without influencing the needs of the generations to come. The sources of sustainable energy include all types of renewable energy sources and usually also the technologies which improve energy efficiency.

Being aware of the significant changes of the paradigm of the electricity system we focused our attention on the problem of forecasting dispersed energy resources, which is a major cause of these changes, as the dispersed energy sources of smaller power have been gaining increasing importance because their owners are mostly small companies or individuals and not large energy companies. And the production (similarly to consumption) must be predicted. These topics were covered in the publication titled

“Forecasting production from dispersed energy sources” which has been presented to the public.

Provision information and raising awareness are excellent opportunities to submit the information on renewable energy sources and efficient energy use to a broader scope of people and thus contribute to raising awareness and better knowledge of both topics. In the future, we intend to implement new projects and add content to the existing ones.





“ **HAND-IN-HAND WITH
OUR STAKEHOLDERS**

Borzen is people. Together, with a positive attitude we are working towards maximising the satisfaction and well-being of all our stakeholders, by cooperating, listening and communicating. ”



4. SUSTAINABLE DEVELOPMENT

We are aware that we are leaving a sustainable footprint for the future. We are building it with small actions – tomorrow is already created today. Sustainable development is understood as a commitment to sustainable operations of our Company as well as the efforts of each of the employees to contribute to a better world for all with their work and in the service of society. Ambitious? Maybe. Feasible? No doubt.

4.1 Employees

We are aware of how important people, the employees, are for the success of the company. Therefore we take care of their personal and professional growth. We strive for the creation of a working environment where requirements and results are combined with satisfaction, motivation, commitment and good relationships.

4.1.1 Organisational chart of the Company

Figure 17: Scheme of Borzen's internal organisation



4.1.2 Human resource indicators

NUMBER OF EMPLOYEES

At the end of 2014, the company had 29 employees. Compared to the end of 2013, the number of employees increased by two people. The average number of employees in 2014 was 29 and, compared to the previous year, decreased by 1 percentage point.

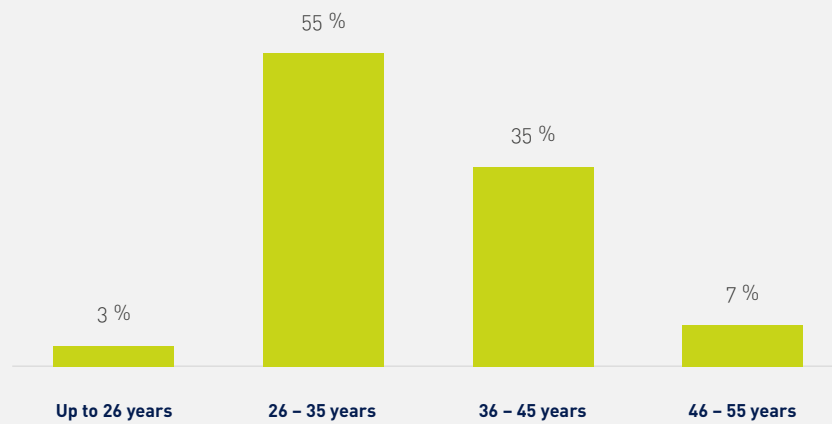
The share of fixed-term co-workers accounted for a bit more than 3 percent of all the employees at the end of 2014 and, compared to the previous year, decreased by 3 percentage points, which is the consequence of the expiry of a contract

of one employee who was replacing a colleague temporarily absent due to maternity leave.

AGE STRUCTURE

The average age of employees was 35 years, which is reflected in a young and ambitious team. The age structure shown in the chart below shows that most of the employees are aged between 26 to 35 years, i.e. 55 percent of all the employees and close behind it with 35 percent is the 36 to 45 age group.

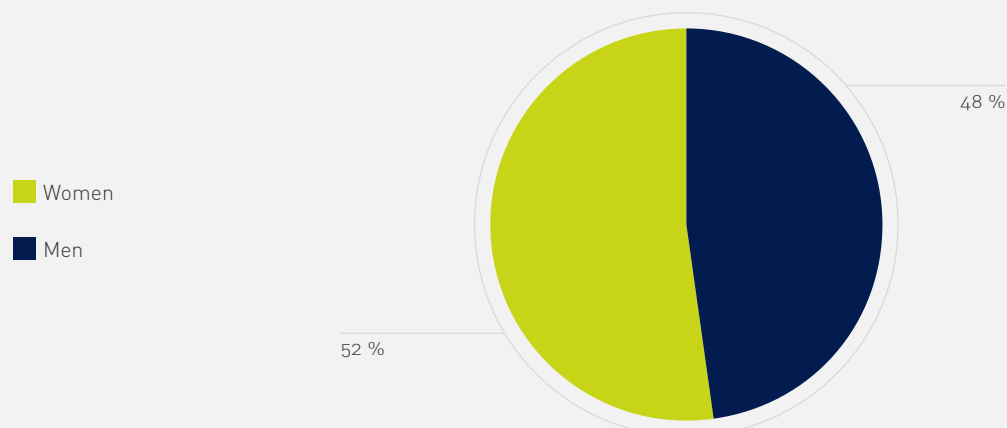
Figure 18: Age structure of employees in percentage as at 31 December 2014



STRUCTURE BY GENDER

There are 15 women among the employees in Borzen accounting for 52 percent and 14 men equalling 48 percent of all the employees. This ratio does not significantly change each year.

Figure 19: Structure of the employees by gender as at 31 December 2014



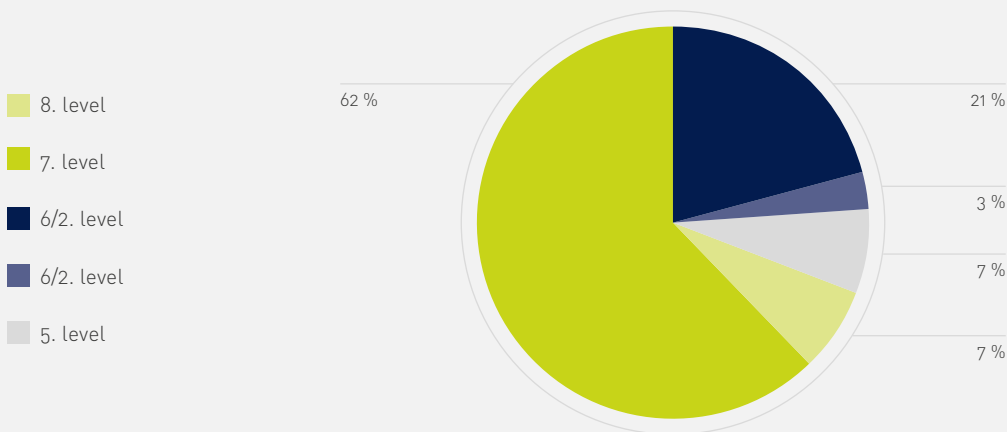
EDUCATIONAL STRUCTURE

Table 21: Educational structure in shares as at 31 December 2013 and 31 December 2014

Level	Title of professional education	2013	Share in %	2014	Share in %
VIII.	Master's degree	3	10	2	7
VII.	University education	19	61	18	62
VI/2	Four-year tertiary professional qualification	5	16	6	21
VI/1	Two-year tertiary professional qualification	1	3	1	3
V.	Secondary education	3	10	2	7
Total		31	100	29	100

The majority of employees have the seventh level of education, namely 62 percent, this is followed by the fifth level with 21 percent and the eighth and fifth level each with 7 percent.

Figure 20: Educational structure of the employees as at 31 December 2014



4.1.3 Development of the employees

EDUCATION OF THE EMPLOYEES

It is of key importance to Borzen to employ people who are professionally educated and qualified to perform the tasks. Employment is therefore upgrading careful staff planning and development.

Every year, an annual educational plan is elaborated covering the educational needs of the employees and following the strategic objectives of the Company. The educational plan focuses on individuals covering the necessary content and taking into account also individual wishes that are in line with the goals of the Company. The employees attend various seminars, courses, training sessions and conferences.

Already acquired knowledge and education can be upgraded

and improved with in-service training. The employees are very interested in further schooling to acquire higher formal educational level. Borzen supports this kind of personal growth with training leave. In 2014, there were 4 employees integrated into study programmes to obtain a higher educational level.

The Company takes care of the internal knowledge transfer among the employees and of the presentations of new procedures in operations. Training sessions are organised in the head office in the fields that are important to the majority of employees.

An important aspect of development and education is professional literature and membership in professional associations where informal knowledge transfer takes place.

EMPLOYEE MOTIVATION

The development of the competences of the employees, targeted guidance, directed two-way communication and other tools have generated an adequate level of motivation and

commitment among employees. Special attention is placed on the immaterial remuneration such as integration into various projects, working groups and similar that additionally motivates the staff.

4.1.5 Communication with the employees

Regular annual interviews with the employees are a tool to establish performance of individuals in the past and to recognise their competences in the future. The content of these annual interviews is an in-depth conversation focusing on current tasks, the work performed and the results, objectives and tasks for the future period as well as on the individual's personal growth and professional path.

The employees are promptly informed of the activities within Borzen via the Intranet, e-mail and various formal and

informal meetings. They can take part in the formation of the Company's objectives and can freely express their opinion and at the level of the Company an Open Door Policy has been applied.

We are of the opinion that good communication is necessary between the levels in the Company as well as quality communication within the team. This is also the focus of our on-line communication, which is also reflected in regular team-building programmes.

4.1.6 Care for Employees

HEALTH AND SAFETY AT WORK

Borzen provides all the employees with safe, healthy and pleasant working environment. All new processes and projects include developments in the field of health and safety at work and fire safety. Risk assessment was prepared for every job and all measures are prescribed that ensure adequate safety of the employees. Risks are periodically assessed and maintained at an acceptable level with suitable safety measures and at the same time the employees are provided with advanced and user friendly technology and materials.

Regular periodical medical examinations are organised that enable monitoring of the health status and the ability to perform tasks. The rate of sick leave in the Company is negligible. The reason for this is the address of health issues of the employees and preventive measures to maintain the health status.

In the context of health promotion in the workplace the employees raise awareness of preventive actions to prevent disease, and at the same time have the opportunity to actively take care of healthy working environment. The Company recognizes the importance of the awareness of its employees, therefore, we will continue with proactive activities in this area.

FAMILY FRIENDLY ENTERPRISE

Borzen is aware that nowadays the reconciliation of working and family life is a challenge of ever increasing proportions and thus the Company decided to acquire the »Family Friendly Enterprise« certificate.

In 2014, three new measures were added the successfully implemented measures aiming at easing the reconciliation of work and family life adopted within the efforts to obtain the "Family Friendly Enterprise Certificate" resulting in the obtaining in the full "Family Friendly Enterprise Certificate" in July.

In this way, we intend to provide employees with the opportunity to easily reconcile work and private life as we believe that such efforts bring long-term mutual satisfaction of the Company and its employees. Therefore, we will continue with similar activities in the future.

SPORTS ACTIVITIES

Borzen promotes health and provides the employees with various sports activities since we are aware that spending free time in a quality and healthy manner can positively impact the employees. The Company supports the Borzen Sports Society that organises recreational sports activities and cultural events.

VOLUNTARY ADDITIONAL PENSION INSURANCE AND ACCIDENT INSURANCE

Borzen provides all the employees with voluntary additional pension insurance in order to increase their social security especially after retirement. All the employees are covered by voluntary pension insurance.

In addition, all Borzen's employees are covered by accident insurance at work as well as in their leisure time.

4.2 Social Responsibility towards Community

Borzen is aware that our stakeholders are the core of our operations. The electricity market certainly would not be as it is without them. We recognise and acknowledge various stakeholders and the public and adapt our communication to each of these groups separately. Satisfied stakeholders give a positive signal implying that our services are performed in a quality manner and thus our mission of a public service is being completed.

Our communication in 2014 was mainly targeted at two key groups of stakeholders, namely the existing and potential Balance Scheme members and the existing and potential Support Scheme members. Wishing to get close to our stakeholders and their needs we prepared numerous activities in the field of the communications with the users of our Centre for Support. Borzen has been striving for advanced power market that will be the greatest value added to the existing and potential Balance Scheme members. The activities which are worth mentioning in the field of communication in 2014 are the public hearing with regard to the Rules for the operation of the electricity and the Rules for the implementation of the electricity balancing market, which means that all interested parties presented their observations and suggestions. Borzen wishes to take into account the proposals of market participants to improve the functioning of the power market as far as possible. To this end, several meetings were organised to which suppliers and distribution companies, SODO and ELES, were invited. At these meetings, the

proposals to improve the methodologies for the preparation of accounting data, the preparation of a single template for raising objections concerning the imbalance settlement and the proposals to amend the Rules for the Operation of the Electricity Market were discussed. Several decisions with the consent of the participants present at these meetings were made and taken into account in the preparation of proposals to amend and supplement the rules for the functioning of the market.

In 2014, we completely redesigned the Company's corporate website, both graphically as well as its content and structure. The website is designed to be user-friendly and intuitive, and is upgraded in terms of interactive contents, which optimises the user experience. We also prepared a fresh demonstration flyer which communicates Borzen's activity and its integration into the electricity system and its role in the power market.

In the field of information provision and raising awareness of renewable energy sources and energy efficiency a publication entitled Forecasting dispersed energy sources was prepared in 2014. By creating a new brand - Sustainable Energy - Borzen seriously established communication with a new group of stakeholders, the general public, for the first time in the history of the Company. The launch of the brand and a web portal www.trajnostnaenergija.si was adequately covered by communication support, which has resulted in great media coverage and positive responses from the public.

Figure 21: Presentation flyer Of the Sustainable Energy portal and the publication Forecasting dispersed energy sources

TE

TRAJNSTNA ENERGIJA

KAJ JE TRAJNSTNA ENERGIJA

Trajnostna energija je tista energija, ki jo potrebujemo za zadovoljevanje naših današnjih potreb, pri čemer pa ne vplivamo na potrebe generacij, ki prihajajo za nami. Vsi trajnostne energije vključujejo vse vrste obnovljivih virov energije, odvisno pa tudi tehnologije izboljšanja energetske učinkovitosti.

ZAKAJ PORTAL TRAJNSTNA ENERGIJA

- Želimo osveščati in ozaveščati o učinkoviti rabi energije in energetiki.
- Spodbujati želimo delovanje partnerne energije in vsakega domačina.
- Ker si želimo spodbujati zavzete osebe za bolj zavedljivost.
- Ker bi radi dali dobre prakse in pozitivne izkušnje napovedovanju razpršenih energij.
- Želimo vzpostaviti stičišče idej in informacij področja trajnostne energije.
- Želimo dovesti različne organizacije, posameznike in skupine ter različne trajnostne vsebine.
- Trudimo se, da bi pripramogli pri doseganju zavez Evropske Unije in Slovenije na področju rabe obnovljivih virov energije in učinkovite rabe energije.

INFORMACIJE, KI JIH NAJDETE NA SPLETNEM PORTALU TRAJNSTNA ENERGIJA

- VARČUJTE Z ENERGIJO: investicije, učinkovita raba energije, ali se mi to splača...
- PRODUKCIJATE S POMOČJO OBNOVLJIVIH VIROV ENERGIJE: geografski potenciali, ključne informacije in obnovljivi viri, financiranje...
- CHERANITE OKOLJE ČISTO: skupni interes, koristi naravi, dobre prakse, pravne vidike...
- TRAJNSTNA ENERGIJA: vrste obnovljivih virov energije, proizvodnja toplote in elektrike, učinkovita raba energije...
- INFORMIRAJTE SE: novice, aktualno, aktualne vsebine...

IMATE INFORMACIJE, KI JIH ŽELITE DEJTI Z NAMI? VARNIŠKA K ORODOVANJU – SKUPAJ LANKO USTVARJAMO NOVE SINERGIJE.

INFO:
www.trajnostnaenergija.si
trajnostna.energija@borzen.si

Proizvodnja obnovljivih virov energije ima specifične lastnosti

Napovedovanje proizvodnje razpršenih virov energije

Proizvodnja naprav, ki izkoriščajo energijo sonca, vetra in vode, je močno odvisna od zunanjih vremenskih dejavnikov. Tako so na primer sončno obsevanje, količina padavin in razmere na vodotokih, ter smer in intenzivnost vetra lahko snepredvidljivi zato iz kratkoročnega. Temu sledi proizvodnja iz omejenih virov, s tem pa količina energije, ki je oddana v elektroenergetsko omrežje.

Pri pomembni skupini sončnih elektrarn obstaja več dejavnikov, ki vplivajo na proizvodnjo fotovoltaičnih modulov: dnevna svetloba, megla, prehodne oblačnosti, koncentracija prahu in smaganja na panelih, senčenja, temperatura, postopno padanje učinkovitosti modulov in tako naprej. Niso redke učinke na vidano ter hitro spreminjajo dinamika oddane energije v omrežje. Tuje prakse kažejo, da so vetrne elektrarne pri napovedovanju proizvodnje še večje težave. Na vidno proizvodnjo vetra več vremenskih spremenljivk: smer, jakost vetra, I, ki so zelo specifične in močno odvisne od lokalne topografije. Na ta način je proizvodnja za bolj spreminljiva in bolj napovedljiva v primerjavi z ostalimi tehnologijami. Tudi pri imalnih hidroelektrarnah je proizvodnja zelo odvisna od vremenskega dogajanja in lokalnih specifičnih vodotokov, na katerih so zgrajene. Močni nalivi ter nenasitnjevaja in drugih naplavin so napovedljivi razlogi, zaradi katerih se lahko priprejajo veliki skoki v vidno proizvodnjo zelo kratkem obdobju.

Ilustracija nihanj na primeru sončne elektrarne nazivne moči 999 kW

Proizvodnja večine obnovljivih virov energije je torej po svoji naravi nestalna, hitro spremenljiva ter geografsko razpršena, s tem pa najbolj vedljive v primerjavi s proizvodnjo iz drugih konvencionalnih virov.

Zaradi svojih značilnosti in hitrega porasta ima proizvodnja iz obnovljivih virov energije vse pomembnejši vpliv na elektroenergetski sistem ter energetski trg kot celoto.

Sharing knowledge and experience and simultaneous positioning of the company as the hub of the energy markets is the priority orientation of our Company. The representatives of Borzen were invited to attend various professional conferences as lecturers and they actively participated in working groups and associations in Slovenia and abroad.

IN THE FIELD OF TRANSPARENCY

The Company wishes to provide transparent business operations since we believe it is our commitment to all users of our services and also to all citizens of the Republic of Slovenia. Transparency is regarded as an important value, which is also realized with the publication of data and information on our operations on the Company's website. To this end, we have also published a list of beneficiaries of support, a list of Balance Scheme members, reports on market operations, reports on the functioning of the Support Scheme, big- and small-value public procurement and various public sector information and similar. Relevant information is regularly submitted to the interested public and we are open to media. Borzen respects the transparency principle which is an important guide in the preparation of the Company's annual report which is again also published as a mobile application. In the spirit of sustainable development and sustainable communications we have prepared a sustainability report in accordance with the guidelines of the Global Reporting Initiative.

GOOD CORPORATE PRACTICE

Borzen respects the recommendations of good corporate practice of the Partner and the Slovenian Directors' Association. Since the term of office of the Supervisory Board Members started in April 2014 a procedure of self-assessment was implemented after the closure of the financial year. On the basis of this self-assessment the procedure assessing the efficiency of their work will also be carried out with a view to improving its operation and a special report with an action plan will be adopted.

IN THE FIELD OF SOCIAL RESPONSIBILITY

Socially responsible action is contained in the core activity that we perform as the market operator since we ensure reliable and stable functioning of the Slovene electricity market, and as the Support Scheme operator for renewable energy sources and highly efficient cogeneration of heat and power we promote and raise awareness of the utilisation of green energy sources

and efficient energy use. Our social responsibility is directed to our employees and other stakeholders and since 2012 these activities have also been reported in the Sustainability Report in accordance with the GRI guidelines.

Borzen is a member of the Network of socially responsible companies. The network that promotes and raises awareness of the importance of social responsibility is a juncture of Slovene companies and organisations that exchange knowledge, information, ideas and good practice in the field of social responsibility. The activities of the Network for social responsibility are based on the information provision and raising awareness of companies and telling the general public of the importance of socially responsible strategies in companies' operations and of positive effects of the participation as well as of good practices of socially responsible acting.

Dedicated and targeted sponsorship and donations are one of the ways to connect to the community and thus contribute to positive functioning of the society as a whole. We support sports activities, working with the youth, culture, education and humanitarianism.

We endeavour to share good practice and transfer knowledge to a wider social environment.

In 2014, we conducted a corporate volunteer campaign in a week of corporate volunteerism called "Let's Join our Forces" organised by the AmCham and the Slovene Philanthropy. We are glad that we were able to do our best to contribute to the well-being of the local community and thus added an additional piece in the mosaic of sustainable development. The employees pulled up their sleeves and helped arrange a training track and a learning pathway for the residents of the Education, Work and Care Centre Dolfka Boštjančič in Škofljica. Enthused by the results of our collaboration, we look forward to next year.

4.3 Responsibility towards natural environment

Environmental protection is one of the basic rights, duties and responsibilities of all our employees and is considered an integral part of our corporate policy. We follow the trend of efficient use of energy, water and material.

Borzen is trying to follow the principles of sustainable development in the segment of environment protection that is also a part of our business operations. Borzen manages the national scheme of support to environmentally friendly production of electricity (from RES and CHP) and thus promotes the use of natural resources that has positive impact on the environment. Simultaneously, we promote efficient energy use and the knowledge transfer in this field. Sustainability is a part of our daily activities today but sustainable action and environment protection will be even

strengthened tomorrow. The amended Energy Act granted Borzen new powers covering mainly the tasks related to information provision, awareness raising, training and the publication of information on efficient energy use and renewable energy sources. In this respect, we are proud of the new web portal www.trajnostaenergija.si which acts as an information hub in the field of sustainable energy. The portal is an important channel for the dissemination and promotion of knowledge in this field.

All our employees are aware of the importance of environmental protection, we separate waste, use recycled materials, save drinking water and electricity. Since we want to take a further step, we have measured our Company's carbon footprint and set out guidelines to improve it in the future.

4.4 Cooperation and development

4.4.1 Cooperation in international professional associations and working groups

Borzen actively co-creates the trends of the Slovenian as well as the European energy sector. We are aware of the importance of cooperation between different players on the energy podium. Our experts occupy important positions in various associations and working groups, which reflects exceptional trust we enjoy in professional circles. In the continuation, some forms of cooperation are mentioned that mark the operations of our Company.

Within **Eurelectric** section, established at the Chamber of Commerce and Industry of Slovenia, Borzen is a member of Eurelectric Union – European association of electricity producers, transmission and distribution operators, suppliers and trading companies. Our colleagues from Borzen are active in numerous working groups: Markets Committee (“working group for energy markets»), Financial Regulation & Market Integrity working group (“working group for financial matters and market integrity”) Energy & Resource Efficiency working group (“working group for energy efficiency”).

Borzen is also an active member in the **Energy Industry Chamber of Slovenia** where it represents the interests of the power market and its participants.

Borzen has an active role also in the **EuroPex** Association which connects European electricity exchanges and electricity market operators. Borzen cooperates in working groups of WG Environmental Markets (“working group for environmental markets») which it also chairs, WG Power Markets (“working group for electricity markets”), and WG Transparency and Integrity (“working group for the transparency of markets”). EuroPEX is an important stakeholder in the preparation of the European regulatory framework of wholesale energy markets.

We are members of **APEX** – the Association of Power Exchanges and connects power exchanges and electricity market operators.

The representatives of our Company were invited into the **Strategic Council for Energy Policy and Climate Change** within the Chamber of Commerce and Industry of Slovenia where opinions are exchanged and formed on global energy issues.

We co-operate in the National Committee of the International Council on large Electrical Systems – **CIGRE** (Conseil Internationale des Grands Reseaux Electriques) – CIRED (Slovene Association) especially in CIGRE ŠK C5 – Markets and Regulation.

Borzen is very active in the **Energy Market Data Exchange Section** (IPET) working within the Energy Chamber of Commerce and promotes the development in the field of data exchange on the electricity market. At the beginning of 2015, we were entrusted with the presidency of the section.

We are also members of the **IAEE** (International Association for Energy Economics) which is a non-profit and independent global organisation of companies, governments, academic and other experts dealing with the issues of energy economics and related fields in the international environment.

Borzen is also a long-time member of the member of the **board of the electricity industry journal Naš stik** that plays an important role in the provision of information to professional energy public and to promote energy literacy among general public.

Borzen is also a member of the **Network of socially responsible companies** which promotes and raises awareness of the importance of social responsibility and represents a juncture of Slovene companies and organisations that exchange knowledge, information, ideas and good practice in the field of social responsibility.

4.4.2 Relevant projects and activities of the Company

EUROPEAN CROSS-BORDER BALANCING MARKET PROJECT

In 2014, the European eBADGE project of the cross-border (“intra-day”) balancing market was in full swing, in which Borzen was one of the five participating groups from five countries. The subject of the project in 2014 was the establishment of a market simulator. The consortium is run by Telekom Slovenija and in addition to Borzen there are other energy companies involved, namely ELES, APG from Austria and RSE (the GSE Group) from Italy. The project, which is

a positive contribution to more efficient management of electricity in the field of transmission as well as distribution, in particular with regard to further optimisation, control and safety on the electricity market started on 1 October 2012 and will run for three years.

DEVELOPMENT OF THE ELECTRONIC DATA EXCHANGE FOR THE PURPOSES OF IMBALANCE SETTLEMENT

Data exchange is crucial for the correct implementation of

tasks of the Market Operator and for the operation of the entire system. For this reason, Borzen has worked hard to strengthen and develop this field with the EDE project and by participating in the associations such as IPET (Energy Market Data Exchange Section), which functions within the Energy Industry Chamber of Slovenia.

Last year, our activities were primarily focused on the communication and promotion of all areas of the distribution network and the use of our information system which enables electronic exchange of data on the realisation of the production and consumption of electricity for the purpose of imbalance settlement. In the second half of 2014, we successfully extended the testing phase of electronic data interchange in the collaboration with Informatika d.d. to all five areas of the distribution network. Data exchange in this context is an important step towards more reliable and faster data submission to the market operator.

REPORTING AND CALCULATION OF CONTRIBUTIONS TO ENSURE SUPPORT TO ELECTRICITY PRODUCTION FROM RENEWABLE ENERGY SOURCES AND FROM HIGH-EFFICIENCY COGENERATION OF HEAT AND ELECTRICITY

Borzen started to report and calculate contributions for the provision of support for the production of electricity from renewable energy sources and high efficiency cogeneration in accordance with the EZ-1 and the Decree on the method of determining and calculating the contribution for ensuring support for the production of electricity from high-efficiency cogeneration and renewable energy sources. We set up a web portal that allows the preparation of an application for registration in the registry and simple reporting on the calculated contributions to final customers. The portal provides information on the applicable legislation which prescribes the method of determining and calculating the contributions for the provision of support to electricity production, as well as other news related to this field. The portal is accessible at <http://prispevek.borzen.si>.

DEVELOPMENT OF SERVICES IN THE FIELD OF EFFICIENT ENERGY USE

We want to promote energy efficiency in accordance with the sustainability strategy of our Company. In 2014, we also designed a service which promotes investment in energy efficiency measures in Slovenia. The service is built on the one-stop-shop concept as it offers and implements a variety of services including elements of consulting, planning, design, financial engineering, implementation and operation of the improvement of energy performance of building envelopes. In doing so Borzen will play a key role in bringing together various stakeholders involved in this process. The design of the service is now in the phase that allows the implementation of pilot projects in 2015.

PREPARATION AND PUBLIC CONSIDERATION OF NEW RULES FOR MARKET OPERATION

The new Energy Act stipulates that its entry into force results in the expiration of the Rules for the operation of the organised electricity market (Official Journal of the RS No. 98/09 and 97/11). For this reason and with the aim of updating the regulations issued by the Market Operator to grant an

even more efficient and transparent market, Borzen drafted new Rules for the operation of the organised electricity market. A public hearing of the Rules was held in mid-2014 and the comments made by the interested public were collected as well as the first coordination meetings with major stakeholders were organised. The Rules were not adopted in 2014 pending the consent of the Energy Agency.

ELECTRICITY MARKET COUPLING

Taking into consideration the common goal of the establishment of a single integrated electricity market in Europe, the reliability of the operations of the Slovene and a broader European electricity system and thus safety of supply and certain tasks stipulated in the regulations of the Republic of Slovenia, Borzen, ELES and BSP signed a Letter of Intent in November 2012 concerning further mutual cooperation, data exchange and the preparation of strategies for the integration of electricity markets. The already executed market coupling on the Slovenian - Italian border with relevant players was confirmed by renewing the contract at the end of 2013 which, unlike in previous years is not on an annual basis, but from 2014 is valid for the integration of the Slovenian-Italian border into the Central and Southern European regional coupling. The process of market coupling encountered no problem during 2014. The preparation for the planned market coupling at regional level were also held within the IBWT (Italian borders working table), namely Italy and the neighbouring countries in 2015.

FORECASTS OF THE PRODUCTION FROM DISPERSED ENERGY SOURCES

The key aspect of the Support Scheme is the management of the Eco Balance Group and a broader issue of forecasting the generation of electricity from renewable resources which, by its very nature is intermittent and less predictable than from other resources, which can in turn affect the electricity system as a whole. The DELFI application became fully operational during 2014. At the end of 2014, a thematic brochure and the basis for the publication of the systemic forecast for solar, wind and hydro power plants was prepared.

Borzen and ELES agreed that every day Borzen would submit the forecasts of the production in solar power plants included in the Balance Group of the Centre for RES/CHP Support on an hourly basis for next 48 hours. The System Operator uses the data for better and easier management of the electricity system.

ESTABLISHMENT OF THE SUBMISSION OF DATA UNDER THE TRANSPARENCY REGULATION 543/2013

Borzen established automated transmission of data via web services in 2014. In accordance with the European Regulation 543/2013 Borzen is obliged to send the data on the quantity of bids on the balancing market and the data on quantities and prices of transactions concluded on the balancing market to the System Operator every hour. In addition to the data on the balancing market, Borzen also submits the prices of imbalances to ELES on a monthly basis. The submitted data are published on the European platform "ENTSO-E Transparency Platform" in order to ensure greater transparency of the European energy market.

ESTABLISHMENT OF ELECTRONIC ACCESS TO THE RECORDS OF THE BALANCE SCHEME

Upon a proposal from the Energy Agency, Borzen established electronic access to records of the balance scheme using web services. This access provides the Agency with the automated control of the data on the balance scheme members which are submitted when market participants register in line with the REMIT Regulation.

DRAFTING AND ADOPTION OF THE RULES FOR THE OPERATION OF THE ELECTRICITY BALANCING MARKET

In compliance with the new EZ-1 the Implementation rules for the operation of the organised electricity market rules were

drafted during 2014 and after the public hearing and obtained necessary approvals in late December. The Rules were published in the Official Journal and on 1 January 2015 they came into force.

In the Rules, in addition to updating the terminology introduced some operational and technical changes relating to the operation of the balancing market and some changes in the functioning of the market from an organisational point of view were introduced in addition to updated terminology which affects trade and membership in the market. In particular, the new Rules aim to ensure the effectiveness of the balancing market and consequently the efficiency of the electricity system in Slovenia.

4.5 Investments

In accordance with the business plan, the majority of planned investments carried out in 2014 mainly related to information technology. Key hardware and software were replaced to support private cloud services and some important segments of the network structure were modernised. A portion of the funds was allocated to the licence fees for systems software.

In 2014, we invested a total of EUR 87.619 in new software. The investments include the development of the Sustainable Energy web portal, the development and installation of a

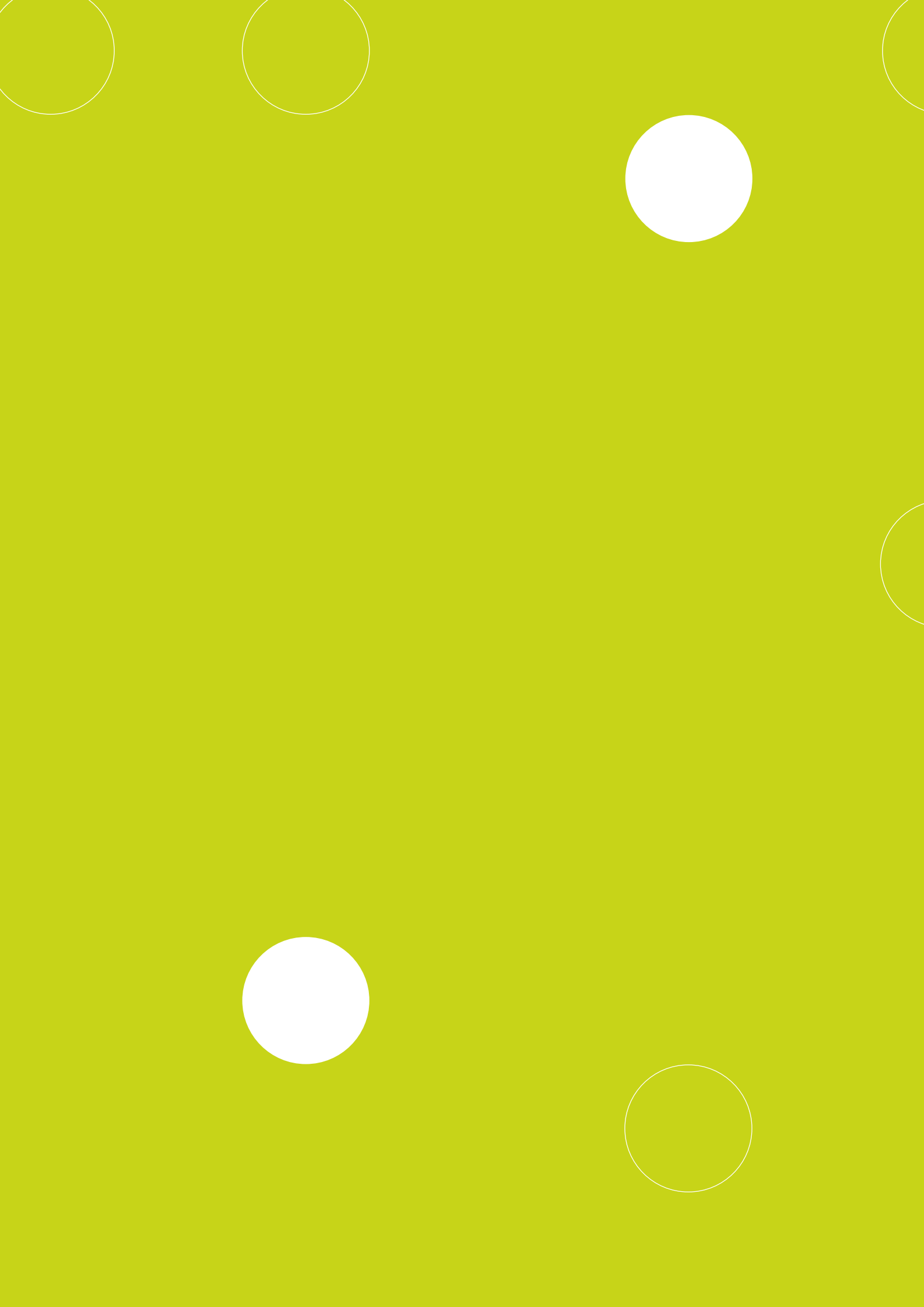
new Borzen website, the implementation and set up of the HR information system as well as upgrading of the single information system (SIS) through which a safe and reliable system of operations was established.

For greater efficiency and reliability of operations the majority of the Company's business network was upgraded. The updates primarily related to the replacement of worn-out equipment with more powerful and more energy-efficient workstations.



**“ HAND-IN-HAND
WITH
RESPONSIBLE
OPERATIONS**

Responsible operation is our commitment and which is in the very heart of all our strategies and decisions. Time and again our conduct and actions prove that we are trustworthy. ”





FINANCIAL REPORT

1. AUDITOR'S REPORT



• REVIZIJA •

BM Veritas Revizija d.o.o., Dunajska cesta 106, 1000 Ljubljana
T: 01 568 43 80, 01 568 24 36, F: 01 568 40 75

INDEPENDENT AUDITOR'S OPINION

To the owner of the company
Borzen, d.o.o.
Dunajska 156
1000 Ljubljana

We have audited the accompanying financial statements of the company BORZEN, d.o.o. which comprise the balance sheet as at December 31st 2014, the income statement, the cash flow statement, the statement of changes in equity for the year then ended, and the summary of significant accounting policies and other explanatory notes. We also read the Management Report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements prepared in accordance with Slovenian Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company BORZEN, d.o.o. as at December 31st 2014, and its financial performance and its cash flows for the year ended in accordance with the Slovene Accounting Standards.

Report on Other Legal and Regulatory Requirements

The business report is consistent with the audited financial statements.

Ljubljana, April 13th 2015



Benjamin Fekonja, BSc. Econ.
Certified Auditor

2. FINANCIAL STATEMENTS

2.1 Balance sheet

Table 22: Balance sheet as at 31 December 2014 and 31 December 2013

In EUR

DESCRIPTION	31. 12. 2014	31. 12. 2013
ASSETS	35,429,681	27,733,832
A. LONG-TERM ASSETS	2,613,046	2,742,036
I. INTANGIBLE ASSETS AND LONG-TERM DEFERRED EXPENSES AND ACCRUED REVENUES	602,176	702,579
II. TANGIBLE FIXED ASSETS	1,486,758	1,516,059
1. Business premises	1,185,516	1,235,680
2. Equipment	301,242	280,379
III. LONG-TERM FINANCIAL INVESTMENTS	419,568	419,568
1. Shares in associated companies	419,568	419,568
IV. DEFERRED TAX ASSETS	104,544	103,830
B. SHORT-TERM ASSETS	32,792,370	24,968,709
I. SHORT-TERM OPERATING RECEIVABLES	23,609,246	15,463,087
1. Short-term accounts receivable	17,755,307	13,038,641
2. Short-term receivables from others	5,853,939	2,424,446
II. CASH	9,183,124	9,505,622
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES	24,265	23,087
Off-balance-sheet assets	4,587,026	4,969,620
LIABILITIES	35,429,681	27,733,832
A. EQUITY	5,291,811	5,199,251
I. CALLED-UP CAPITAL	1,963,279	1,963,279
1. Share capital	1,963,279	1,963,279
II. CAPITAL RESERVES	395	395
III. REVENUE RESERVES	766,042	766,042
1. Statutory reserves	196,328	196,328
2. Other reserves from profit	569,714	569,714
IV. REVALUATION SURPLUS	-2,016	0
V. NET PROFIT OR LOSS BROUGHT FORWARD	1,728,535	1,616,643
VI. NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	835,576	852,892
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES	77,398	62,750
C. SHORT-TERM LIABILITIES	30,058,072	22,470,798
A. SHORT-TERM OPERATING LIABILITIES	30,058,072	22,470,798
Short-term liabilities to suppliers	20,935,480	14,962,273
Other short-term operating liabilities	9,122,592	7,508,525
D. SHORT-TERM ACCRUED EXPENSES AND DEFERRED REVENUES	2,400	1,033
Off-balance-sheet liabilities	4,587,026	4,969,620

2.2 Statement of comprehensive income

Table 23: Income Statement for the period between 1 January 2013 and 31 December 2014

In EUR

DESCRIPTION	1. 1.–31. 12. 2014	Business plan 2014	1. 1.–31. 12. 2013
1. NET SALES REVENUES	3,489,768	3,464,800	3,407,610
a. Revenues from supplement to network charges	1,616,213	1,628,300	1,634,329
b. Revenues – recorded contracts (cross-border transmission capacities)	1,205,072	1,111,700	1,097,392
c. Revenues from the Centre for RES/CHP Support	591,000	591,000	591,000
d. Revenues from BSP	76,740	68,400	70,100
e. Other revenues	743	65,400	14,789
2. OTHER OPERATING REVENUES	10,050	0	1,511
TOTAL OPERATING REVENUES	3,499,818	3,464,800	3,409,121
3. COSTS OF MATERIAL AND SERVICES	732,485	799,000	771,036
a. Costs of material	55,041	59,000	57,485
b. Costs of services	677,444	740,000	713,551
4. LABOUR COSTS	1,316,827	1,298,500	1,268,292
a. Salary costs	976,111	968,200	944,133
b. Pension insurance costs	128,065	129,000	125,315
c. Costs of other social insurances	72,647	71,800	70,172
d. Other labour cost	140,004	129,500	128,672
5. WRITE DOWNS	338,402	342,900	368,946
a. Depreciation	338,402	342,900	368,946
6. OTHER OPERATING EXPENSES	14,725	5,000	20,734
OPERATING PROFIT OR LOSS	1,097,379	1,019,400	980,113
7. FINANCIAL REVENUES	37,723	30,000	85,886
8. FINANCIAL EXPENSES	123,168	35,000	52,227
NET PROFIT OR LOSS FROM ORDINARY ACTIVITIES	1,011,934	1,014,400	1,013,772
9. OTHER REVENUES	1,338	0	2
10. OTHER EXPENSES	13,350	10,000	7,391
PROFIT OR LOSS FROM EXTRAORDINARY ACTIVITIES	-12,012	-10,000	-7,389
TOTAL REVENUES	3,538,879	3,494,800	3,495,009
TOTAL EXPENSES	2,538,957	2,490,400	2,488,626
TOTAL PROFIT	999,922	1,004,400	1,006,383
11. TAX ON PROFIT	-165,060	-170,748	-165,242
12. DEFERRED TAX	714	0	11,751
NET PROFIT FOR THE ACCOUNTING PERIOD	835,576	833,652	852,892
13. Other components of comprehensive income	-2,016	0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	833,560	833,652	852,892

2.3 Cash flow statement

Table 24: Cash flow statement using the indirect method (version III)

In EUR

DESCRIPTION	2014	2013
A. CASH FLOWS FROM OPERATING ACTIVITIES		
a. Income statement items	1,270,916	1,176,371
Operating revenues (except for revaluation) and financial revenues from operating receivables	3,502,450	3,407,610
Operating expenses without depreciation (excluding revaluation) and financial expenses from operating liabilities	-2,066,474	-2,065,997
Income taxes and other taxes not included in operating expenses	-165,060	-165,242
b. Changes in net current assets in balance sheet items (including accruals and deferrals)	-558,780	3,038,397
Opening less closing operating receivables	-8,146,159	-4,150,774
Opening less closing deferred costs and accrued revenues	-1,178	-10,286
Closing less opening operating liabilities	7,587,190	7,198,424
Closing less opening accrued costs and deferred revenues and provisions	1,367	1,033
c. Net cash from operating activities	712,136	4,214,768
B. CASH FLOWS FROM INVESTING ACTIVITIES		
a. Cash receipts from investing activities	36,540	587,060
Receipts from received interest related to investing activities	36,337	85,849
Receipts from disposal of tangible fixed assets	203	1,211
Receipts from disposal of short-term financial investments	0	500,000
b. Disbursements for investing activities	-208,851	-741,387
Disbursements for acquisition of intangible assets	-87,619	-213,065
Disbursements for acquisitions of tangible fixed assets	-121,232	-28,322
Disbursements for acquisitions of short-term financial investments	0	-500,000
c. Net cash from investments	-172,311	-154,327
C. CASH FLOWS FROM FINANCING ACTIVITIES		
a. Receipts from financing activities	62,300,000	5,150,000
Receipts from increase in short-term financial liabilities	62,300,000	5,150,000
b. Disbursements for financing activities	-63,162,323	-5,201,834
Interest expenses relating to financing activities	-121,323	-51,834
Disbursements for repayment of short-term financial liabilities	-62,300,000	-5,150,000
Disbursements for dividends and other profit participations	-741,000	0
c. Net cash from investments	-862,323	-51,834
D. Closing balance of cash	9,183,124	9,505,622
Net cash flow for period	-322,498	4,008,607
Opening balance of cash and cash equivalents	9,505,622	5,497,015

2.4 Allocation of net profit of the financial year

Table 25: Allocation of net profit for financial year 2014

In EUR

DESCRIPTION	31. 12. 2014
Net profit from previous financial years	1,728,535
Net profit for the financial year	835,576
Part of net profit for statutory reserves	0
Accumulated profit for financial year	2,564,111

The accumulated profit for the 2014 financial year amounts to EUR 2,564,111 and is comprised of net profit from the 2012, 2013 and 2014 financial years less payment of profit to the owner in 2014 amounting to EUR 741,000.

2.5. Statement of changes in equity

Table 26: Statement of changes in equity for 2013

In EUR

	Closing balance	Opening balance	Total comprehensive income		Changes in equity	Closing balance
	31. 12. 2012	1. 1. 2013	Change in revaluation surplus	Entry of net profit or loss for financial year	Payment of profit to owner	31. 12. 2013
Share capital	1,963,279	1,963,279				1,963,279
Capital reserves						
Gen. equity capital revaluation adjustment	395	395				395
Reserves from profit						
Statutory reserves	196,328	196,328				196,328
Other reserves from profit	569,714	569,714				569,714
Revaluation surplus	0	0				0
Retained net profit	0	1,616,643				1,616,643
Net profit or loss for the financial year	1,616,643	0		852,892		852,892
Total equity	4,346,359	4,346,359	0	852,892	0	5,199,251

Table 27: Statement of changes in equity for 2014

In EUR

	Closing balance	Opening balance	Total comprehensive income		Changes in equity	Closing balance
	31. 12. 2013	1. 1. 2014	Change in revaluation surplus	Entry of net profit or loss for financial year	Payment of profit to owner	31. 12. 2014
Share capital	1,963,279	1,963,279				1,963,279
Capital reserves						
Gen. equity capital revaluation adjustment	395	395				395
Reserves from profit						
Statutory reserves	196,328	196,328				196,328
Other reserves from profit	569,714	569,714				569,714
Revaluation surplus	0	0	-2,016			-2,016
Retained net profit	1,616,643	2,469,535			-741,000	1,728,535
Net profit or loss for the financial year	852,892	0		835,576		835,576
Total equity	5,199,251	5,199,251	-2,016	835,576	-741,000	5,291,811

3. NOTES ON FINANCIAL STATEMENTS

BASIS FOR FINANCIAL STATEMENTS

The financial statements were compiled in accordance with the Slovenian Accounting Standards and the Companies Act. The figures contained in the financial statements are based on accounting documents and ledgers administered in accordance with the Slovenian Accounting Standards.

The basic accounting assumptions were applied in compiling the financial statements: going concern and accrual basis and consistency. The basic accounting principles taken into account in the accounting guidelines were transparency, the precedence of content over form, and significance.

3.1 Notes on balance sheet items

INTANGIBLE ASSETS AND LONG-TERM DEFERRED EXPENSES AND ACCRUED REVENUES

In books of account, intangible fixed assets and long-term deferrals and accruals are disclosed separately as historical

cost and value adjustments as cumulative write-down, which is the result of depreciation; in the balance sheet the assets are declared at the net book value, which is the difference between the historical cost and value adjustment.

Table 28: Intangible assets and long-term deferred costs and accrued revenues

In EUR

	Software	Software in production	Total
Purchase value			
01. 01. 2014	1,539,423	0	1,539,423
Direct increases - purchases	0	87,619	87,619
Transfer from assets being acquired	81,022	-81,022	0
Disposals	10,739	0	10,739
31. 12. 2014	1,609,706	6,597	1,616,303
Write-down value			
01. 01. 2014	836,844	0	836,844
Yearly depreciation	188,022	0	188,022
Disposals	10,739	0	10,739
31. 12. 2014	1,014,127	0	1,014,127
Current value			
01. 01. 2014	702,579	0	702,579
31. 12. 2014	595,579	0	602,176

In 2014, we invested a total of EUR 87,619 in new software. The investments include the development of the web portal, the development and installation of a new website of Borzen, the implementation and setting up of the HR information system as well as upgrading of the single information system (SIS) with which a safe and reliable system of operations is established. Some licences were purchased for systems software.

Disposals refer to old software that was no longer used and was also a write-off.

The depreciation rate for software ranges from 20% to 50 % and reflects the projected useful life.

TANGIBLE FIXED ASSETS

For tangible fixed assets, the purchase value and value adjustments are declared separately in ledgers, whereby the value adjustment represents the cumulative write-down as a result of depreciation. In the balance sheet they are recorded at the net book value, which is the difference between the purchase value and the write-down value.

The actual purchase value of a tangible fixed asset includes its purchase price and all costs that can be directly ascribed to making it fit for its intended use. Costs related to tangible fixed asset that are subsequently incurred increase its purchase value if they increase future benefits compared to the previous estimates.

Table 29: Tangible fixed assets

In EUR

	Real estate	Equipment Information system	Office equipment	Tools, instruments, devices and other inv.	Total
Purchase value					
01. 01. 2014	1,367,135	620,375	137,513	92,724	2,217,747
Purchases	0	119,819	858	555	121,232
Disposals	0	71,185	0	516	71,701
31. 12. 2014	1,367,135	669,009	138,371	92,763	2,267,278
Write-down value					
01. 01. 2014	131,455	446,902	43,963	79,371	701,691
Depreciation	50,164	80,439	15,011	4,763	150,377
Disposals	0	71,032	0	516	71,548
31. 12. 2014	181,619	456,309	58,974	83,618	780,520
Current value					
01. 01. 2014	1,235,680	173,473	93,550	13,353	1,516,056
31. 12. 2014	1,185,516	212,700	79,397	9,145	1,486,758

Investments in tangible fixed assets amounted to EUR 121,232. The investments in the information system were made mainly in order to replace old and deteriorated equipment as well as to upgrade the information system. Some desktops were replaced and two new servers, Cisco routers and switches were purchased.

Disposals refer to written-down deteriorated equipment that was replaced.

Depreciation was charged on equipment at the following rates:

- computer equipment 20.00 to 33.33%
- office furniture 11.00 to 12.00 %
- other equipment 10.00 to 25.00%

LONG-TERM FINANCIAL INVESTMENTS

Long-term financial investments are valued at the purchase value that corresponds to the cash or other assets invested.

Table 30: Table of long-term financial investments:

In EUR

	31. 12. 2014	31. 12. 2013
Long-term financial investment in shares	419,568	419,568
Total	419,568	419,568

Borzen possesses a 50-percent equity stake in BSP Regional power exchange. On the basis of an assessment performed in April 2011, the value of a 50% equity stake on 31.12.10 was

estimated at EUR 419,568. BSP d.o.o. has generated profits in recent years.

DEFERRED TAX ASSETS

Table 31: Table of deferred tax assets

In EUR

	31. 12. 2014	31. 12. 2013
Deferred tax assets:		
- from impairment of financial investment	98,137	98,137
- from provisions	6,407	5,334
- from depreciation	0	359
Total	104,544	103,830

Deferred tax assets mainly refer to the deferred tax from the impairment of financial investment in BSP in 2010. The actual impairment of the financial investment is not a recognised tax expense in the year of the impairment but will become a recognised tax expense in the year of the actual disposal of investment (liquidation, sale etc.), which is why the company has disclosed this in its books of account. In addition, the Company is also disclosing deferred tax receivable from provisions for severance pay and long service whereas deferred tax assets from depreciation were cancelled in 2014.

SHORT-TERM OPERATING RECEIVABLES

Receivables are initially recognised in the amounts recorded in the relevant documents under the assumption that they will be paid. Receivables from legal and natural persons abroad are converted into the domestic currency on the day of occurrence. Exchange differences that arise up to the day receivables are settled or up to the balance sheet date are deemed to be financial revenues or financial expenses. The amounts of individual receivables were verified prior to the financial statement compilation.

Table 32: Short-term operating receivables

In EUR

	31. 12. 2014	31. 12. 2013
Short-term accounts receivable	17,755,307	13,038,641
a) Short-term domestic trade receivables	17,623,010	12,798,702
- of which receivables from associated companies	82,405	38,855
b) Short-term foreign trade receivables	132,297	239,939
Short-term interest receivables	0	2,938
Short-term receivables from the Centre for RES/CHP Support	3,463,170	0
Other short-term receivables	2,390,769	2,421,508
Total	23,609,246	15,463,087

Portions of short-term trade receivables as at 31.12.14 amounting to EUR 17,755,307 are the following:

- 88% of the receivables from the Centre for RES/CHP Support and from the contribution according to Article 67 of the Energy Act to promote efficient energy use,
- 9% of the receivables from the imbalance settlement and
- 4% of regular receivables from the services of recording bilateral contracts and closed contracts with the use of cross-border transmission capacities.

The majority of trade receivable (96%) was not due on the last day of 2014. Half of the overdue receivables were paid in January 2015; however, other receivables of EUR 379 thousand from ELES d.o.o arising from recording of contract with the use of cross-border transmission capacities remained open. If we take into account the December receivable in this respect which is due in January, ELES owe us a total of EUR 434 thousand. The receivables remained unpaid due to different interpretations of the provisions of the new Energy Act concerning the financing of the public service obligation relating to the electricity Market Operator. Because of the disagreement, we asked the Ministry of Infrastructure and Spatial Planning for an opinion which we received in a letter of 25 April 2014 in which it was explained that until the adoption of a new decree in accordance with Article 98 of the EZ-1, it is

necessary to provide funding in accordance with the currently applicable Decree (OJ of the RS, No. 8/09). ELES disagreed with the opinion and this is why the case was referred to the Court. In line with the opinion received from the Ministry we expect that the case will be resolved in our favour. Therefore, it is estimated that the exposure to the risk of default is negligible.

As of 31 December 2014, short-term receivables from the Centre for RES/CHP Support refer to deficit of funds in the amount of EUR 3,463,170. And at the end of 2013, there is a surplus of funds shown as short-term liabilities of EUR 2,023,018.

Other short-term receivables refer to input VAT from invoices received in January 2015 and refer to December 2014.

CASH

Cash and cash equivalents disclose in addition to regular funds also the cash of the Centre for RES/CHP Support and imbalance settlement that are kept separately and in a special account. Under call deposits are also kept on special accounts with the following banks: UniCredit banka Slovenija d.d., Banka Sparkasse d.d., and Zveza bank, the Ljubljana branch.

Table 33: Cash funds

In EUR

	31. 12. 2014	31. 12. 2013
Cash in banks	7,290,116	2,979,244
Cash on the business transaction account	2,268,054	87,548
Cash in special accounts – Centre for RES/CHP Support	-1,997,988	368,862
Cash in special accounts – efficient energy use	2,249,962	1,784,234
Cash in special accounts – Balance Scheme	4,770,088	738,600
Call deposits – Total	1,893,008	6,526,378
Redeemable deposit	270,556	2,541,927
Redeemable deposit – Centre for RES/CHP Support	610,771	2,974,855
Redeemable deposit – Balance Scheme	1,011,681	1,009,596
Total	9,183,124	9,505,622

Due to a lack of financial resources of the Support Scheme, EUR 2.2 million was transferred at the end of the year from Borzen's business account to the Centre's account (internal loan) to settle the liabilities to the beneficiaries of the Centre for Support due on 30 and 31 December 2014. Hence, negative cash is disclosed by the Centre of Support.

SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES

Costs that were charged in 2014 but that relate to the next financial year and will be met as costs in 2015 are declared as deferred costs and accrued revenues.

Table 34: Short-term deferred costs and accrued revenues

In EUR

	31. 12. 2014	31. 12. 2013
Short-term deferred cost or expenditures	24,265	23,087
Total	24,265	23,087



EQUITY

The company's total equity capital consists of the share capital, reserves, revaluation surplus, retained earnings or

previous losses, net profit not yet distributed or net loss not yet settled.

Table 35: Equity

In EUR

	31. 12. 2014	31. 12. 2013
Called-up capital	1,963,279	1,963,279
Share capital - capital role	1,963,279	1,963,279
Capital reserves - general revaluation equity capital adjustment	395	395
Reserves from profit	766,042	766,042
Statutory reserves	196,328	196,328
Other reserves from profit	569,714	569,714
Fair value reserve	-2,016	0
Retained earnings from previous periods	1,728,535	1,616,643
Net profit for the financial year	835,576	852,892
Total	5,291,811	5,199,251

In 2014 the company generated a net profit of EUR 835,576. The company's distributable profit thus amounts to EUR 2,564,111 and consists of net profit for 2012, 2013 and 2014 less dividend payments of EUR 741,000.

An estimate of the operating result based on a revaluation in order to retain purchasing power on the basis of growth in the cost of living:

- Revaluing the equity capital based on the growth rate of the cost of living (0.2 %) for 2014, the revaluation

expenditures would amount to EUR 8,908 and the positive result to EUR 826,668 (without taking into account the corporate tax).

PROVISIONS

On the basis of an actuarial calculation the company created reservations for severance pay upon retirement and long-service awards. The use of provisions for long service awards in 2014 totalled EUR 12,754; after recreating provisions at the end of 2012, they totalled EUR 29,008 for severance pay upon retirement and EUR 48,390 for long-service awards.

Table 36: Provisions

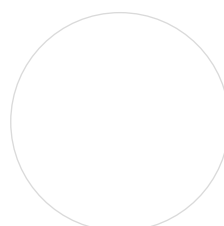
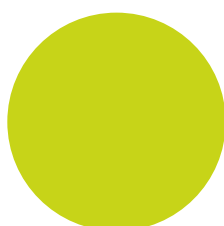
In EUR

	31. 12. 2014	31. 12. 2013
Provisions for long-service awards	48,390	38,576
Provisions for severance pay	29,008	24,174
Total	77,398	62,750

SHORT-TERM LIABILITIES

Short-term liabilities are declared separately as short-term financial liabilities and short-term operating liabilities. Short-term financial liabilities are loans granted, which Borzen does not disclose. Short-term operating liabilities consist of

advances acquired from customers, liabilities to suppliers in Slovenia and abroad, liabilities to employees, liabilities to state institutions and other liabilities. All liabilities are declared at fair value.



	31. 12. 2014	31. 12. 2013
Short-term liabilities to suppliers	20,935,480	14,962,273
- Short-term liabilities to suppliers – regular suppliers	227,194	377,829
- Short-term liabilities to suppliers - the Centre for RES/CHP Support	18,176,989	13,474,957
- Short-term liabilities to suppliers – Balance Scheme	2,531,297	1,109,487
Short-term liabilities for the Centre for RES/CHP Support	784,161	2,913,892
Short-term liabilities – efficient energy use	2,483,803	2,110,184
Short-term liabilities for the Balance Scheme	4,677,105	2,030,048
Short-term liabilities for the advances received	44,942	32,897
Short-term liabilities to employees	144,175	113,547
- Liabilities for net salaries and wage compensations	74,184	59,821
- Liabilities for contributions from gross salaries and wage compensations	23,767	18,556
- Liabilities for taxes from gross salaries and wage compensations	21,992	15,213
- Liabilities for other remunerations from employment	24,232	19,957
Liabilities to state and other institutions	969,363	287,254
- Liabilities for charged VAT	954,909	286,705
- Liabilities for corporate income tax	13,770	0
- Other short-term liabilities to state and other institutions	684	549
Other short-term liabilities	19,043	20,703
Total	30,058,072	22,470,798

As at 31 December 2014, liabilities consist of open items to regular suppliers, open items to the beneficiaries of the Centre for RES/CHP Support, and open items for suppliers under the Balance Scheme. At the end of both years, liabilities to regular suppliers are higher due to the purchase of fixed assets. With the beneficiaries of the Centre for RES/CHP Support the amount relates to December invoices falling due in January 2014. In addition, most of November invoices were also paid in January. The company settles all liabilities toward suppliers in agreed contractual deadlines.

Short-term liabilities to the Centre for RES/CHP Support actually represent the surplus of the RES funds amounting to EUR 625 thousand and the deposits that the purchasers of electricity sold at the Eco group auction in December have to submit amounting to EUR 159 thousand. With regard to RES and CHP the Company discloses a deficit as the table of short-term receivables shows.

Short-term liabilities related to efficient energy use represent a surplus of collected funds whereas short-term liabilities related to the Balance Scheme represent a surplus of funds collected in this regard.

Short-term liabilities to employees are open items to employees, namely December salaries and undisbursed bonuses to the General Manager.

OFF-BALANCE SHEET ITEMS

The company's off-balance sheet assets amounted to EUR 4,587,026. From this, EUR 1,314,734 represents Balance Scheme Members' cash in deposit sub-accounts opened in the Balance Scheme Members' names. Funds refer to collateral for the fulfilment of financial liabilities stemming from imbalance settlement. The financial coverage must be submitted by the Balance Responsible Party upon signing the Balancing Agreement with the Market Operator, in accordance with the Rules for the operation of the electricity market. The assets are disclosed as off-balance sheet items as they have no direct impact on the volume and composition of the assets or liabilities; they merely represent a guarantee for the fulfilment of Balance Scheme Members' liabilities.

In addition to cash guarantees, Balance Scheme Members may also submit financial guarantees in the form of bank guarantees payable upon first call. On 31 December 2014, the value of received bank guarantees of the Balance Scheme Members amounted to EUR 3,272,292.

3.2 Notes on items in the income statement

Income statement is drawn up according to version I.

SALES REVENUE

Sales revenue consists of the selling price of services provided in the accounting period. Revenues are recognised on the basis of selling prices stated in invoices and other documents.

Table 38: Operating revenues

In EUR

	2014	Share in %	Business plan 2014	Share in %	2013	Share in %
Revenues from supplement to network charges	1,616,213	46.2	1,628,300	47.0	1,634,329	47.9
Revenues from recorded contracts (cross-border transmission capacities)	1,205,072	34.4	1,111,700	32.1	1,097,392	32.2
Revenues from the Centre for RES/CHP Support	591,000	16.9	591,000	17.0	591,000	17.3
Revenues from BSP	76,740	2.2	68,400	2.0	70,100	2.1
Other revenues	743	0.0	65,400	1.9	14,789	0.4
Total sales revenues	3,489,768	99.7	3,464,800	100.0	3,407,610	99.9
Other operating revenues	10,050	0.3	0	0.0	1,511	0.1
Total operating revenues	3,499,818	100.0	3,464,800	100.0	3,409,121	100.0

The largest proportion of revenues refers to revenues from supplement to network charges. The supplement to network charges in the amount of 0.13 EUR/MWh is stipulated in the Market Operator's Tariff with effect from 1 January 2010 and approved by a Decision of the Government of the Republic of Slovenia No. 36001-11/2010/4 dated 23.09.10. In accordance with the provisions of the Rules on setting prices for the use of electricity networks and criteria for the justification of costs (Official Journal of the RS, No. 134/03) and Article 90 of the Act determining methodologies for the calculation and settlement of network charges and the criteria for determining eligible costs for electricity networks (Official Journal of the RS, No. 121/05), the Market Operator charges supplement to the network fee to the Distribution System Operator (SODO) and Transmission System Operator (ELES).

The second largest share of revenues was accounted for by revenues from recording of contract with the use of cross-border transmission capacities. The commission for recording closed contracts with the use of cross-border transmission

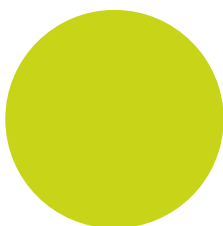
capacities is paid by the contracting party who recorded the closed contract with the use of cross-border transmission capacities to the Market Operator in accordance with the invoice issued.

The activities of the Centre for RES/CHP Support are financed from a share of contributions for promoting the production of electricity from renewable sources (hereinafter: RES) and high-efficiency cogeneration of heat and power.

Other revenues also contain the revenue from the e-Badge project.

Of total sales revenues, EUR 3,274,900 was charged to domestic buyers and EUR 214,868 to foreign buyers.

Other operating revenues also contain EUR 10,000 referring to the revenue of the Public Fund of the Republic of Slovenia for HR Development and the scholarship related to the project of the Public Tender for co-financing life-long career orientation.



OPERATING EXPENSES

Operating expenses are all expenses generated in the financial year and recorded by type such as material costs, costs of services, labour costs, depreciation, operating expenses from revaluation and other operating expenses.

Revaluation operating expenses arise upon the alienation of tangible fixed assets, and in connection with intangible fixed assets and current assets owing to their impairment, if the reduction in their value is not covered by the specific equity capital revaluation adjustment.

Table 39: Operating expenses

In EUR

	2014	Share in %	Business plan 2014	Share in %	2013	Share in %
Costs of material	55,041	2.3	59,000	2.4	57,485	2.3
Costs of services	677,444	28.2	740,000	30.3	713,551	29.4
Labour costs	1,316,827	54.8	1,298,500	53.1	1,268,292	52.2
Depreciation	338,402	14.1	342,900	14.0	368,946	15.2
Other operating expenses	14,725	0.6	5,000	0.2	20,734	0.9
Total	2,402,439	100	2,445,400	100	2,429,008	100.0

COSTS OF MATERIAL AND SERVICES

Table 40: Costs of materials and services

In EUR

Type of cost	2014	Share in %	Business plan 2014	Share in %	2013	Share in %
Energy costs	8,281	15.0	10,000	16.9	10,003	17.4
Office supplies	14,626	26.6	16,000	27.1	15,008	26.1
Professional literature	18,947	34.4	20,000	33.9	18,237	31.7
Other material costs	13,187	24.0	13,000	22.0	14,237	24.8
Total costs of material	55,041	100	59,000	100	57,485	100
Banking services	13,345	2.0	12,000	1.6	13,939	2.0
Membership fees (accession fees and membership fees)	33,568	5.0	35,000	4.7	34,256	4.8
Other services	54,671	8.1	48,000	6.5	49,024	6.9
Education and training	43,099	6.4	44,000	5.9	40,638	5.7
Rental costs	59,081	8.7	87,000	11.8	67,105	9.4
Costs of premises	32,832	4.8	30,000	4.1	31,133	4.4
Public Relations	42,240	6.2	65,000	8.8	51,240	7.2
Post, telegraph and telephone services	17,574	2.6	25,000	3.4	27,406	3.8
Costs of balancing market services	95,623	14.1	96,000	13.0	96,000	13.5
Costs arising from new activities	0	0.0	25,000	3.4	0	0.0
Costs of missions	36,073	5.3	34,000	4.6	35,160	4.9
Supervisory Board costs	17,683	2.6	25,000	3.4	23,218	3.3
Advisory services and professional studies	131,576	19.4	110,000	14.9	135,468	19.0
Student work	22,928	3.4	24,000	3.2	34,876	4.9
Regular maintenance of fixed assets	77,151	11.4	80,000	10.8	74,088	10.4
Total costs of services	677,444	100	740,000	100	713,551	100

The total amount of costs of material and costs of services are lower than in the previous year as well as in the planned year.

The costs of advisory services also include the costs of the audit of annual accounts totalling EUR 5,700 per year.

LABOUR COSTS

Total labour costs amounted to EUR 1,316,827 in 2014. At the end of the year 29 persons were employed by the Company. The average number of the employees calculated on the basis of working hours equalled 26.32. Labour costs are calculated in accordance with the Rules on the employment relationships. Other labour costs also contain the costs associated with increased provisions for long-service awards and severance

pay in the amount of EUR 23,667 calculated on the basis of the actuarial calculations.

WRITE DOWNS

In 2014, depreciation amounted to EUR 338,402, and is slightly lower than in the previous year. In the depreciation calculation the straight-line method is applied.

OTHER OPERATING EXPENSES

Other operating expenses, which primarily refer to construction land contribution and the contribution which we must pay as a result of the failure to attain the disabled quota, amounted to EUR 14,725 in 2014.

FINANCIAL REVENUES

Table 41: Financial revenues

In EUR

	2014	Share in %	Business plan 2014	Share in %	2013	Share in %
Interest revenues	37,682	99.9	30,000	100.0	85,850	100.0
Other financial revenues including financial revenues from revaluation	41	0.1	0	0.0	36	0.0
Total	37,723	100	30,000	100	85,886	100

Interest revenues relate to interest on deposits made with banks and interest on demand cash deposits in accounts. Last year, interest was higher because of the surplus assets managed by the Centre for RES/CHP Support.

FINANCIAL EXPENSES

Table 42: Financial expenses

In EUR

	2014	Share in %	Business plan 2014	Share in %	2013	Share in %
Interest expenses	123,043	99.9	35,000	100	51,834	99.2
Other financial expenses with revaluation expenses	125	0.1	0	0	393	0.8
Total	123,168	100.0	35,000	100	52,227	100.0

The amount of financial expenses in 2014 mainly refers to the costs of bank interest under two Agreements on a Framework Credit concluded with Unicredit Banka Slovenija d.d., concerning a short-term framework loan. The first agreement was concluded in April totalling EUR 7.5 million, to mature on 31 December 2014, whereas the second agreement of EUR 7.5 million was concluded in July and it matures on 17 November 2014. The purpose of both loans was to ensure the liquidity of the Support Scheme for RES and CHP. The draw down of funds took place several times during the year owing to the gap between the funds collected and the payment of support. Both loans were repaid upon their maturity.

OTHER REVENUES AND OTHER EXPENSES

Other revenues refer to damages received and other expenses refer to donations given. The donated funds amounted to EUR 13,350. The donations funds were provided to the Association of Friends of Youth Ljubljana – Moste Polje and thus we supported the sponsorship project in Slovenia, and to the Slovene Hospice Association, the »Merry Legs« Association, the Slovene Philanthropy, Fire Association of Slovenia and sports societies.

NET PROFIT OR LOSS AND TOTAL COMPREHENSIVE INCOME

Table 43: Net profit or loss and total comprehensive income for the period

In EUR

	2014	Share in %	Business plan 2014	Share in %	2013	Share in %
Revenues	3,538,879	100	3,494,800	100	3,495,009	100.0
Net sales revenue	3,489,768	98.6	3,464,800	99.1	3,407,610	97.5
Other operating revenues	10,050	0.3	0	0	1,511	0.0
Financing revenues	37,723	1.1	30,000	0.9	85,886	2.5
Other revenues	1,338	0.0	0	0	2	0.0
Expenses	2,538,957	100	2,490,400	100	2,488,626	100.0
Costs of sale of services incl. write-downs	2,387,714	94.0	2,440,400	98.0	2,408,274	96.8
Other operating expenses	14,725	0.6	5,000	0.2	20,734	0.8
Financial expenses	123,168	4.9	35,000	1.4	52,227	2.1
Other expenses	13,350	0.5	10,000	0.4	7,391	0.3
Tax on profit	-165,060		-170,748		-165,242	
Deferred tax	714		0		11,751	
Net profit for the accounting period	835,576		833,652		852,892	
Other components of comprehensive income	-2,016		0		0	
Total comprehensive income for accounting period	833,560		833,652		852,892	

OTHER DISCLOSURES

The management of the company is a one-member body, General Manager, appointed by the Supervisory Board for a five-year period. General Manager Karol Peter Peršolja, M.Sc., has been running the Company and has represented it since 1 January 2010.

General Manager is entitled to basic payment (salary) and reasonable payment for the performance of the Company (performance-related pay). In the 2014 financial year, General Manager received:

Table 44: Remuneration of General Manager in 2014

In EUR

	Gross remuneration of the General Manager
Salary 2014	101,121
Performance award for 2011 (2nd part) and 2013 (1st part)	12,273
Bonuses	1,257
Long-service awards	8,354

Until April 2014 the Supervisory Board was composed of the first three members from the table below; however, the Government of the Republic of Slovenia appointed new members of the Supervisory Board of Borzen in April 2014

for a five-year term of office. In 2014, the Supervisory Board members were entitled to remuneration for the performance of their function based on the applicable decision of the Partner, as follows:

	Gross
Vekoslav Korošec, M.Sc.	1,984
Tomaž Fatur, M.Sc.	1,831
Janko Kramžar	2,597
Gorazd Ažman	4,240
Dejan Paravan, PhD	3,389
Janez Černe	3,206

The company has no receivables from members of the Management or Supervisory Board, and did not pay or approve any advances, loans or sureties for liabilities to these persons.

3.3. Additional disclosures on the basis of SRS 35

Individual activities performed by Borzen are governed by the Slovenian Accounting Standards (SRS 35).

In accordance with the Energy Act, the Decree on the method for implementation of public service obligation relating to the organisation of the electricity market, the Act of the establishment of Borzen, and other applicable regulations, Borzen performs the commercial public service relating to the organisation of the electricity market, which also includes the implementation of the activities of the Centre for RES/CHP Support. In addition it also performs a commercial activity (services for BSP s.o.o.).

The Energy Act defines the activities regarding the organisation of the electricity market and the activities of the Centre for RES/CHP Support as one commercial public service; however, it also stipulates that separate accounts should be kept for the activity of the Centre for RES/CHP Support. For the purpose of keeping the market organisation (hereinafter "MO") and the Centre for RES/CHP Support (hereinafter "CS") accounts separate, they are regarded as two separate business entities where the funds used by both activities are divided according to predetermined keys.

The starting point for demonstrating successful operation of a particular activity is to include funds as well as expenses as revenues and expenses directly by activities to the maximum extent possible. For items that cannot be assigned unambiguously to a particular activity, keys are used that are based mainly on assumptions regarding their distribution to each activity. The keys for the division of joint revenues and expenses are set in Borzen's Rules on separate accounts for revenues, expenses, assets and liabilities by individual activities.

The Company has set certain cost centres to which revenues are allocated and direct and indirect costs are charged. Cost centres belong indirectly to individual activities or are of general nature and are charged indirectly to each activity. The company has established keys for sharing indirect costs that are examined on a yearly basis and amended according to new facts.

Table of general keys specified and adopted for 2014 is presented in the continuation:

Table 46: General keys for 2014

	ACTIVITY		
	Market Operation	Centre for Support	Commercial activity
- Key – general costs	66 %	30 %	4 %
- Key – salary costs	65 %	30 %	5 %
- Key – fixed assets	72 %	25 %	3 %

"Key K1" takes into account a distribution of balance items of a specified activity as referred to in cost centres which are directly or indirectly charged to an activity according to the workload of an individual post, which is measured by working time in hours needed for an individual activity.

The Key – Salary costs gives consideration to the distribution of balance sheet items to activities as arising from cost centres that are directly or indirectly charged to activities based on the workload of individual jobs that is measured by hours expressed as a value based on labour costs that are charged to an individual post.

The Key – Fixed assets takes into account a distribution of information system balance items of a specified activity as referred to in cost centres which directly or indirectly incur an activity according to information system's burden.

Borzen's Income Statement is prepared separately for each commercial public service and separately for its commercial activity.

In 2014, the company as a whole generated a net profit of EUR 835,576. The activity of the public service obligation relating to the electricity Market Operator discloses a profit of EUR 1,215,016, the public service obligation relating to the Centre for Support recorded a deficit of EUR 382,400 and the commercial activity discloses a profit of EUR 2,960.

INCOME STATEMENT BY ACTIVITIES FOR THE PERIOD BETWEEN 1 JAN. 2014 AND 31 DEC. 2014

Table 47: Profit or loss statement by activities for the period between 01.01.14 and 31.12.14

In EUR

Elements	BORZEN Total	Market operator	Centre for RES/ CHP Support	Market activity
1. NET SALES REVENUES	3,489,768	2,821,873	591,133	76,762
a. Revenues from supplement to network charges	1,616,213	1,616,213	0	0
b. Revenues – recorded contracts (cross-border transmission capacities)	1,205,072	1,205,072	0	0
c. Revenues from the Centre for RES/CHP Support	591,000	0	591,000	0
d. Revenues from BSP	76,740	0	0	76,740
e. Other revenues	743	588	133	22
2. OTHER OPERATING REVENUES	10,050	6,633	3,015	402
TOTAL OPERATING REVENUES	3,499,818	2,828,506	594,148	77,164
3. COSTS OF MATERIAL AND SERVICES	732,485	466,882	248,072	17,531
a. Costs of material	55,041	30,091	23,185	1,765
b. Costs of services	677,444	436,791	224,887	15,766
4. LABOUR COSTS	1,316,827	760,313	510,988	45,526
a. Salary costs	976,111	561,870	380,770	33,471
b. Pension insurance costs	128,065	73,987	49,733	4,345
c. Costs of other social insurances	72,647	41,783	28,376	2,488
d. Other labour cost	140,004	82,673	52,109	5,222
5. WRITE DOWNS	338,402	224,231	104,614	9,557
a. Depreciation	338,402	224,231	104,614	9,557
6. OTHER OPERATING EXPENSES	14,725	8,855	5,371	499
TOTAL OPERATING EXPENSES	2,402,439	1,460,281	869,045	73,113
OPERATING PROFIT OR LOSS	1,097,379	1,368,225	-274,897	4,051
7. FINANCIAL REVENUES	37,723	22,161	15,562	0
8. FINANCIAL EXPENSES	123,168	3,495	119,461	212
NET PROFIT OR LOSS FROM ORDINARY ACTIVITIES	1,011,934	1,386,891	-378,796	3,839
9. OTHER REVENUES	1,338	883	401	54
10. OTHER EXPENSES	13,350	8,811	4,005	534
TOTAL REVENUES	3,538,879	2,851,550	610,111	77,218
TOTAL EXPENSES	2,538,957	1,472,587	992,511	73,859
TOTAL PROFIT	999,922	1,378,963	-382,400	3,359
11. TAX ON PROFIT	-165,060	-164,659	0	-401
12. DEFERRED TAX	714	712	0	2
NET PROFIT FOR THE REPORTING PERIOD	835,576	1,215,016	-382,400	2,960

BALANCE SHEET AS AT 31 DECEMBER 2014 WITH ASSETS BEING MANAGED

Table 48: Balance sheet as at 31 Dec. 2014 and separate overview of the assets being managed

In EUR

DESCRIPTION	Borzen Total	Borzen excluding PUS	Centre for Support	EEU	Balance Scheme
ASSETS	35,429,681	5,847,196	19,160,135	2,948,750	7,473,600
A. LONG-TERM ASSETS	2,613,046	2,613,046	0	0	0
INTANGIBLE ASSETS AND LONG-TERM DEFERRED EXPENSES AND					
I. ACCRUED REVENUES	602,176	602,176			
II. TANGIBLE FIXED ASSETS	1,486,758	1,486,758	0	0	0
1. Business premises	1,185,516	1,185,516			
2. Equipment	301,242	301,242			
III. LONG-TERM FINANCIAL INVESTMENTS	419,568	419,568	0	0	0
1. Shares in associated companies	419,568	419,568			
IV. DEFERRED TAX ASSETS	104,544	104,544			
B. SHORT-TERM ASSETS	32,792,370	3,209,885	19,160,135	2,948,750	7,473,600
I. SHORT-TERM OPERATING RECEIVABLES	23,609,246	670,992	20,547,614	698,808	1,691,832
1. Short-term accounts receivable	17,755,307	642,212	14,836,502	698,808	1,577,785
2. Short-term receivables from others	5,853,939	28,780	5,711,112	0	114,047
II. CASH	9,183,124	2,538,893	-1,387,479	2,249,942	5,781,768
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES	24,265	24,265			
Off-balance-sheet assets	4,587,026	4,587,026			
LIABILITIES	35,429,681	5,847,196	19,160,135	2,948,750	7,473,600
A. EQUITY	5,291,811	5,291,811	0	0	0
I. CALLED-UP CAPITAL	1,963,279	1,963,279	0	0	0
1. Share capital	1,963,279	1,963,279			
II. CAPITAL RESERVES	395	395			
III. REVENUE RESERVES	766,042	766,042	0	0	0
1. Statutory reserves	196,328	196,328			
1. Other reserves from profit	569,714	569,714			
IV. REVALUATION SURPLUS	-2,016	-2,016	0	0	0
V. NET PROFIT OR LOSS BROUGHT FORWARD	1,728,535	1,728,535	0	0	0
VI. NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	835,576	835,576			
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES	77,398	77,398			
C. SHORT-TERM LIABILITIES	30,058,072	475,587	19,160,135	2,948,750	7,473,600
A. SHORT-TERM OPERATING LIABILITIES	30,058,072	475,587	19,160,135	2,948,750	7,473,600
1. Short-term liabilities to suppliers	20,935,480	227,194	17,712,042	464,947	2,531,297
2. Other short-term operating liabilities	9,122,592	248,393	1,448,093	2,483,803	4,942,303
D. SHORT-TERM ACCRUED EXPENSES AND DEFERRED REVENUES	2,400	2,400	0	0	0
Off-balance-sheet liabilities	4,587,026	4,587,026	0	0	0

In Table 48 items that relate to assets and liabilities to assets managed by Borzen are disclosed separately and intended exclusively to perform activities within individual public utility service (PUS). It separately discloses the assets of the Centre for RES/CHP Support, the funds of efficient energy use and the funds

of the Balance Scheme. On the one hand, these are cash and cash equivalents in separate special accounts and the receivables and liabilities that are also kept separately and are settled via special settlement accounts.

STATEMENT BY THE MANAGEMENT

In accordance with Article 60 of the Companies Act, the management and the Supervisory Board hereby ensure that the annual report of Borzen, organizator trga z električno energijo, d.o.o., was compiled and published in accordance with the Companies Act and the Slovenian Accounting Standards.

The Management approves and confirms the financial statements of Borzen, organizator trga z električno energijo, d.o.o. for the year finishing on 31 December 2014, and Notes on financial statements compiled on the assumption of the Company's continued operation and in accordance with the applicable legislation and the Slovenian Accounting Standards.

The Management confirms that appropriate accounting policies were used in the creation of the financial statements and that the accounting estimates were made according to the precautionary principle and the principle of good management, and that the financial statements reflect the true and fair picture of the company's assets and results of its business operations for 2014.

Ljubljana, 31 March 2015

Karol Peter Peršolja, M.Sc.,
General Manager of Borzen

RELEVANT ENERGY

REGULATIONS

In the continuation, relevant energy regulations are listed that govern the operations of a provider of commercial public services of the organised electricity market:

- Energy Act (Official Gazette of the RS, No. 27/07 – official consolidated text, 70/08, 22/10, 37/11 – Constitutional Court Decision 10/12 and 94/12);
- Energy Act (Official Gazette of the RS, No. 17/14);
- Decree on the method of provision of an electricity market operator service of general economic interest (Official Journal of the RS, Nos. 8/09 and 17/14 – EZ-1)
- Regulation on supports for the electricity generated from renewable energy sources (Official Journal of the RS, No. 37/09, 53/09, 68/09, 76/09, 17/10, 94/10, 43/11, 105/11, 43/12 and 90/12, 17/14 – EZ-1);
- Regulation on supports for the electricity generated in cogeneration with high efficiency (Official Journal of the RS, No. 37/09, 53/09, 68/09, 76/09, 17/10, 17 and 81/10, 17/14 – EZ-1);
- Decree on energy savings at end-users (Official Journal of the RS, No. 114/09, 57/11, 17/14 – EZ-1);
- Decree on energy savings requirements (Official Journal of the RS, No. 96/2014)
- Regulation on the way of defining and accounting of fee to assure support to security of supply with electricity from domestic primary energy (Official Journal of the RS, No. 8/09, 17/14 – EZ-1);
- Rules on the operation of the electricity market (Official Journal of the RS, No. 98/09 and 97/2011, 17/14 – EZ-1);
- -Rules on the operation of the Centre for RES/CHP support (Official Journal of the RS, No. 86/09, 17/14 – EZ-1);
- Rules on the operation of the electricity balancing market (Official Journal of the RS, No. 73/09, 17/14 – EZ-1);
- Rules on the operation of the electricity balancing market (Official Journal of the RS, No. 97/14).

CODE AND

RECOMMENDATIONS

Below the Code and the recommendations of the Partner are indicated that are fully respected by Borzen:

Recommendations of the Slovene Compensation Fund

- Recommendation No. 1: Payments of the members to supervisory bodies
- Recommendation No. 2: Payment to external members of committees of the supervisory body and other external experts to carry out the tasks of the supervisory body
- Recommendation No. 3: Evaluation of the efficiency of the supervisory body and reporting to supervisory boards
- Recommendation No. 4: Work of the Audit Committee
- Recommendation No. 5: Three-year business planning by a company/group
- Recommendation No. 6: Quarterly reporting on the performance of a company/group
- Recommendation No. 7: Transparency of procedures of making business deals involving company's expenditure

(ordering goods and services, donations and sponsorship)

- Recommendation No. 8: Optimisation of labour costs in 2013 and 2014
- Recommendation No. 9: Risk management, internal controls and internal auditing
- Recommendation No. 10: Company's Code of Ethics
- Recommendation No. 11: Achievement of quality and excellence of the operations of a company/group
- Recommendation No. 12: Assemblies of companies

Recommendations of the Slovenian Sovereign Holding:

- Recommendations and expectations of the Slovenian Sovereign Holding
- Corporate Governance Code for Companies with State Capital Investments

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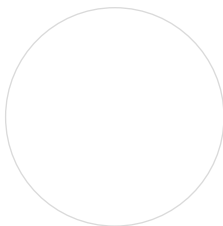
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Borzen